



OHIO AUDITOR OF STATE  
**KEITH FABER**





**HARRIS-ELMORE PUBLIC LIBRARY  
OTTAWA COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Harris-Elmore Public Library  
Ottawa County  
328 Toledo Street, P.O. Box 45  
Elmore, Ohio 43416-0045

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 Harris-Elmore Public Library, Ottawa County, Ohio (the Library), as of and for the years ended December 31, 2018 and 2017, 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 Harris-Elmore Public Library, Ottawa County, Ohio, as of December 31, 2018 and 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.

**Emphasis of Matter**

As discussed in Note 11 to the financial statements, during 2017, the Library has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. 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 October 16, 2019, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

October 16, 2019

**Harris-Elmore Public Library**  
*Ottawa County*  
*Statement of Net Position - Cash Basis*  
*December 31, 2018*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,292,210</u>
<i>Total Assets</i>	<u><u>\$1,292,210</u></u>
 <b>Net Position</b>	
Restricted for:	
Capital Projects	\$394,826
Unrestricted	<u>897,384</u>
<i>Total Net Position</i>	<u><u>\$1,292,210</u></u>

See accompanying notes to the basic financial statements

**Harris-Elmore Public Library**  
*Ottawa County*  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2018*

	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Cash Disbursements</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>			
Current:			
Library Services:			
Public Services and Programs	\$401,964		(\$401,964)
Collection Development and Processing	68,598		(68,598)
Support Services:			
Facilities Operation and Maintenance	64,236		(64,236)
Business Administration	146,024		(146,024)
Capital Outlay	3,059	\$79,314	76,255
<i>Total Governmental Activities</i>	<u>\$683,881</u>	<u>\$79,314</u>	<u>(604,567)</u>
General Receipts:			
Property Taxes Levied for General Purposes			221,484
Unrestricted Gifts and Contributions			3,022
Grants/Entitlements not Restricted to Specific Programs			440,596
Earnings on Investments			10,975
Miscellaneous			18,018
<i>Total General Receipts</i>			<u>694,095</u>
Change in Net Position			89,528
<i>Net Position Beginning of Year</i>			<u>1,202,682</u>
<i>Net Position End of Year</i>			<u><u>\$1,292,210</u></u>

See accompanying notes to the basic financial statements



**Harris-Elmore Public Library**  
*Ottawa County*  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2018*

	General	Elmore Building Addition	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$862,748	\$394,826	\$34,636	1,292,210
<i>Total Assets</i>	<u>\$862,748</u>	<u>\$394,826</u>	<u>\$34,636</u>	<u>\$1,292,210</u>
<b>Fund Balances</b>				
Restricted		\$394,826		\$394,826
Committed			\$34,636	34,636
Assigned	\$271,345			271,345
Unassigned	591,403			591,403
<i>Total Fund Balances</i>	<u>\$862,748</u>	<u>\$394,826</u>	<u>\$34,636</u>	<u>\$1,292,210</u>

See accompanying notes to the basic financial statements

**Harris-Elmore Public Library**  
*Ottawa County*  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2018*

	General	Elmore Building Addition	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$221,484			\$221,484
Public Library	404,942			404,942
Intergovernmental	33,069			33,069
Patron Fines and Fees	9,648			9,648
Contributions, Gifts and Donations	2,222	\$79,314	\$3,385	84,921
Earnings on Investments	10,970	5		10,975
Miscellaneous	8,370			8,370
<i>Total Receipts</i>	<u>690,705</u>	<u>79,319</u>	<u>3,385</u>	<u>773,409</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	400,034		1,930	401,964
Collection Development and Processing	67,072		1,526	68,598
Support Services:				
Facilities Operation and Maintenance	60,656		3,580	64,236
Business Administration	76,183	69,493	348	146,024
Capital Outlay	940		2,119	3,059
<i>Total Disbursements</i>	<u>604,885</u>	<u>69,493</u>	<u>9,503</u>	<u>683,881</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>85,820</u>	<u>9,826</u>	<u>(6,118)</u>	<u>89,528</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In		350,000		350,000
Transfers Out	(350,000)			(350,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(350,000)</u>	<u>350,000</u>		
<i>Net Change in Fund Balances</i>	<u>(264,180)</u>	<u>359,826</u>	<u>(6,118)</u>	<u>89,528</u>
<i>Fund Balances Beginning of Year</i>	<u>1,126,928</u>	<u>35,000</u>	<u>40,754</u>	<u>1,202,682</u>
<i>Fund Balances End of Year</i>	<u>\$862,748</u>	<u>\$394,826</u>	<u>\$34,636</u>	<u>\$1,292,210</u>

See accompanying notes to the basic financial statements

**Harris-Elmore Public Library**  
*Ottawa County*  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2018*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$231,694	\$221,483	\$221,484	\$1
Public Library	389,703	389,703	404,942	15,239
Intergovernmental	20,000	32,812	33,069	257
Patron Fines and Fees	13,000	8,000	9,648	1,648
Contributions, Gifts and Donations	2,000	2,500	2,222	(278)
Earnings on Investments	9,000	9,000	10,970	1,970
Miscellaneous	5,000	6,050	8,370	2,320
<i>Total Receipts</i>	<u>670,397</u>	<u>669,548</u>	<u>690,705</u>	<u>21,157</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	427,569	430,851	406,566	24,285
Collection Development and Processing	82,814	83,000	67,072	15,928
Support Services:				
Facilities Operation and Maintenance	58,568	70,100	60,656	9,444
Business Administration	92,941	86,360	76,183	10,177
Capital Outlay	9,977	10,000	940	9,060
<i>Total Disbursements</i>	<u>671,869</u>	<u>680,311</u>	<u>611,417</u>	<u>68,894</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,472)</u>	<u>(10,763)</u>	<u>79,288</u>	<u>90,051</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	<u>(162,511)</u>	<u>(350,000)</u>	<u>(350,000)</u>	
<i>Total Other Financing Sources (Uses)</i>	<u>(162,511)</u>	<u>(350,000)</u>	<u>(350,000)</u>	
<i>Net Change in Fund Balance</i>	<u>(163,983)</u>	<u>(360,763)</u>	<u>(270,712)</u>	<u>90,051</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	1,126,928	1,126,928	1,126,928	
<i>Unencumbered Fund Balance End of Year</i>	<u>\$962,945</u>	<u>\$766,165</u>	<u>\$856,216</u>	<u>\$90,051</u>

See accompanying notes to the basic financial statements

**Harris-Elmore Public Library**  
*Ottawa County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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

The Harris-Elmore Public Library, Ottawa County, Ohio (the Library) was organized as a school district public library in 1937 under the laws of the State of Ohio. The Library has its own seven-member Board of Trustees appointed by the Woodmore School District Board of Education, as established by section 3375.15 of the Ohio Rev. Code. 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 3375.41 of the Ohio Rev. 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 purposes of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

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

***Related Organization***

The Friends of the Harris-Elmore Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has 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.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in the “Basis of Accounting” section of this note, these financial statements are presented 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. Following are the more significant of the Library’s accounting policies.

***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net position – cash basis and the statement of activities – cash basis display information about the Library as a whole. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange transactions.

**Harris-Elmore Public Library**  
*Ottawa County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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The statement of net position – cash basis presents the cash balances of the governmental activities of the Library at year end. The statement of activities – cash basis compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a 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 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 governmental functions of the Library are financed. The following are the Library's major governmental funds:

**General Fund** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Elmore Building Addition Fund** This capital projects fund account for all donations and revenue restricted to be used for the Elmore Public Library Addition/Renovation Project. The fund balance is available to the Library for the addition/renovation project and will be expended according to the general laws of Ohio.

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

**Basis of Accounting**

The Library's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. .

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 liabilities and the related expenses) are not recorded in these financial statements.

**Harris-Elmore Public Library**  
*Ottawa County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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***Budgetary Process***

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

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

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

***Cash and Cash Equivalents***

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

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

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

During 2018, the Library invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

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.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Library funds according to State statutes. Interest receipts credited to the General Fund during 2018 was \$10,970 which includes \$3,648 assigned from other Library funds.

**Harris-Elmore Public Library**  
*Ottawa County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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***Inventory and Prepaid Items***

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

***Capital Assets***

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

***Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's 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 other postemployment benefits (OPEB).

***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.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute. State Statute authorizes the Library Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**Harris-Elmore Public Library**  
*Ottawa County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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**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.

**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.

**Internal Activity**

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.

**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 are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned fund balance (cash basis).

The adjustment necessary to convert the results of operations at the end of the year on the budget basis to the cash basis is as follows:

	<u>General</u>
Cash Basis	\$862,748
Encumbrances	<u>(6,532)</u>
Budget Basis	<u><u>\$856,216</u></u>

**Note 4 – Deposits and Investments**

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.



**Harris-Elmore Public Library**  
*Ottawa County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

Investments may only be made through specified dealers and institutions. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Fiscal Officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Library had \$40 in undeposited cash on hand which is included as part of "Cash" or "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

**Harris-Elmore Public Library**  
*Ottawa County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

**Deposits**

Custodial credit risk 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 year end, \$49,544 of the Library's bank balance of \$759,082 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized.

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 the Library and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**Investments**

The library reports its investments at net asset value per share. As of December 31, 2018, the Library had the following investments:

Measurement Amount	Investment Maturities (in Years)			
	Less than 1	1-2	3-5	More than 5
STAR Ohio	\$537,048	\$537,048		

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

**Concentration of Credit Risk** The Library places no limit on the amount it may invest in any one issuer. The investment in STAR Ohio represents 100% of total investments as of December 31, 2018.

**Note 5 – Grants in Aid, Property Taxes, and Tax Abatements**

**Grants in Aid**

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

**Harris-Elmore Public Library**  
*Ottawa County*  
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*For the Year Ended December 31, 2018*

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**Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes are levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2018, was \$1.10 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Real Property	\$260,178,710
Public Utility Personal Property	<u>10,620,660</u>
Total	<u><u>\$270,799,370</u></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**

Harris Township and Ottawa County entered into a Tax Abatement Agreement with Brush Wellman Inc. (nka Materion) in February 1995, which affects the Library's tax revenue. Materion constructed a new 100,000 – 150,000 square foot manufacturing facility known as the Pebble Plant at a cost of up to \$13,000,000 and installed approximately \$60,000,000 of manufacturing machinery and equipment for the manufacturing of metallic beryllium materials. Materion planned to create 25 new full-time jobs over a three year period resulting from the construction of Pebble plant, and planned to retain 118 jobs at the Elmore Facility. The project began in 2008 and was completed in 2010. Harris Township and Ottawa County granted Materion a tax exemption for real property improvements made to the project site pursuant to Ohio Rev. Code § 5709.632 and consisted of a 100% abatement for ten years. The exemption commences the first year for which the real property would first be taxable, were that property not exempted from taxation. No exemption shall commence after Tax Return Year 2010, no extend beyond Tax Return Year 2020.

**Harris-Elmore Public Library**  
*Ottawa County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 6 – Transfers**

**Transfers**

During 2018, the following transfers were made:

<b>Transfer to</b>	<b>Transfer from</b>
Major Fund:	Major Fund:
Elmore Building Addition	General
	<b>\$350,000</b>

The above mentioned Transfer From/To was to use unrestricted receipts collected in the General Fund to finance a project accounted for in another fund in accordance with budgetary authorizations.

**Note 7 – Defined Benefit Pension Plan**

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

Plan Description – Library employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit /defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional and combined plans. 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 in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS’ CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

**Harris-Elmore Public Library**  
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*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> 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> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Traditional Plan 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	<b>Traditional Plan 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	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 35 years and 1.25% 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 traditional plan 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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

**Harris-Elmore Public Library**  
*Ottawa County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

	State and Local
<b>2018 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee ***	10.0 %
<b>2018 Actual Contribution Rates</b>	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits ****	0.0
Total Employer	14.0 %
Employee	10.0 %

- \* This rate is determined by OPERS' Board and has no maximum rate established by ORC.
- \*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.
- \*\*\* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
- \*\*\*\* This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution was \$37,322 for the year 2018.

**Note 8 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

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

OPERS 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. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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 75. 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.

**Harris-Elmore Public Library**  
*Ottawa County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, 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.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2018, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. 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 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library’s contractually required contribution was \$0 for the year 2018.

**Note 9 – Risk Management**

***Commercial Insurance***

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 2018, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage
Westfield Insurance Company	Medical Expense Limit	\$5,000
	Damage to Rented Premises	100,000
	Personal & Advertising Injury Limit	1,000,000
	Products/Completed Operations	2,000,000
	General Liability, in aggregate	2,000,000
	General Liability, per occurrence	1,000,000
	Auto Liability	1,000,000
	Fine Arts	10,000
Selective Insurance Co. of America	Computer, Emergency Backup	250,000
	Employment Practices	1,000,000
	Directors and Officers Liability	1,000,000
West Bend	Public Officials Bond	100,000

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

**Harris-Elmore Public Library**  
*Ottawa County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

The Library participates in the Ohio Library Council-2 Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangements insures that each participant shares equally in the overall performance of the GRP. CareWorks Comp. provides administrative, cost control and actuarial services to the GRP.

**Note 10 – Fund Balances**

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

Fund Balances	General	Elmore Bulding Addition	Other Governmental Funds	Total
<b>Restricted for</b>				
Elmore Building Addition		\$394,826		\$394,826
<b>Committed to</b>				
Library Books or Programs			\$16,645	16,645
Elmore Building			10,920	10,920
Genoa Branch			7,071	7,071
<i>Total Committed</i>			34,636	34,636
<b>Assigned to</b>				
Subsequent Year Appropriations	\$271,345			271,345
<b>Unassigned (Deficit)</b>				
	591,403			591,403
<i>Total Fund Balances</i>	\$862,748	\$394,826	\$34,636	\$1,292,210

**Note 11 – Subsequent Events**

The Board of Trustees has intentions of constructing an addition to/renovation of the Elmore Public Library building that will cost approximately \$635,800. Bids were accepted and read by the Board of Trustees on January 31, 2019. The Board of Trustees approved the Library to obtain a loan from First Federal Bank in the amount of \$300,000 in April, 2019. Additional funding for the project has been made through generous donations, and a transfer from the General fund. Construction commenced in April, 2019, with an anticipated completion date during October, 2019.



**Harris-Elmore Public Library**  
*Ottawa County*  
*Statement of Net Position - Cash Basis*  
*December 31, 2017*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,202,682
<i>Total Assets</i>	<i>\$1,202,682</i>
 <b>Net Position</b>	
Restricted for:	
Capital Projects	\$35,000
Unrestricted	1,167,682
<i>Total Net Position</i>	<i>\$1,202,682</i>

See accompanying notes to the basic financial statements

**Harris-Elmore Public Library**  
*Ottawa County*  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2017*

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Cash Disbursements</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>				
Current:				
Library Services:				
Public Services and Programs	\$70,923	\$13,700		(\$57,223)
Support Services:				
Facilities Operation and Maintenance	407,542			(407,542)
Business Administration	84,885			(84,885)
Capital Outlay	1,540		\$35,000	33,460
<i>Total Governmental Activities</i>	<u>\$564,890</u>	<u>\$13,700</u>	<u>\$35,000</u>	<u>(516,190)</u>
General Receipts:				
Property Taxes Levied for General Purposes				215,310
Unrestricted Gifts and Contributions				2,713
Grants/Entitlements not Restricted to Specific Programs				422,377
Earnings on Investments				8,131
Miscellaneous				4,507
<i>Total General Receipts</i>				<u>653,038</u>
Change in Net Position				136,848
<i>Net Position Beginning of Year</i>				<u>1,065,834</u>
<i>Net Position End of Year</i>				<u>\$1,202,682</u>

See accompanying notes to the basic financial statements

**Harris-Elmore Public Library**  
*Ottawa County*  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2017*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,126,928	\$75,754	\$1,202,682
<i>Total Assets</i>	<u>\$1,126,928</u>	<u>\$75,754</u>	<u>\$1,202,682</u>
<b>Fund Balances</b>			
Restricted		\$35,000	\$35,000
Committed		40,754	40,754
Assigned	\$360,763		360,763
Unassigned	766,165		766,165
<i>Total Fund Balances</i>	<u>\$1,126,928</u>	<u>\$75,754</u>	<u>\$1,202,682</u>

See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property and Other Local Taxes	\$215,310		\$215,310
Public Library	389,501		389,501
Intergovernmental	32,876		32,876
Patron Fines and Fees	11,403		11,403
Contributions, Gifts and Donations	2,713	\$37,297	40,010
Earnings on Investments	8,131		8,131
Miscellaneous	4,507		4,507
<i>Total Receipts</i>	<u>664,441</u>	<u>37,297</u>	<u>701,738</u>
<b>Disbursements</b>			
Current:			
Library Services:			
Public Services and Programs	69,304	1,619	70,923
Support Services:			
Facilities Operation and Maintenance	406,573	969	407,542
Business Administration	84,885		84,885
Capital Outlay	1,190	350	1,540
<i>Total Disbursements</i>	<u>561,952</u>	<u>2,938</u>	<u>564,890</u>
<i>Net Change in Fund Balances</i>	102,489	34,359	136,848
<i>Fund Balances Beginning of Year</i>	<u>1,024,439</u>	<u>41,395</u>	<u>1,065,834</u>
<i>Fund Balances End of Year</i>	<u>\$1,126,928</u>	<u>\$75,754</u>	<u>\$1,202,682</u>

See accompanying notes to the basic financial statements

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$231,694	\$231,694	\$215,310	(\$16,384)
Public Library	389,501	389,501	389,501	
Intergovernmental	16,492	16,492	32,876	16,384
Patron Fines and Fees	11,277	11,277	11,403	126
Contributions, Gifts and Donations			2,713	2,713
Earnings on Investments	7,220	7,220	8,131	911
Miscellaneous	4,807	4,807	4,507	(300)
<i>Total Receipts</i>	<u>660,991</u>	<u>660,991</u>	<u>664,441</u>	<u>3,450</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	102,500	101,673	69,304	32,369
Support Services:				
Facilities Operation and Maintenance	456,863	461,390	406,573	54,817
Business Administration	130,750	123,604	84,885	38,719
Capital Outlay	18,000	17,855	1,190	16,665
<i>Total Disbursements</i>	<u>708,113</u>	<u>704,522</u>	<u>561,952</u>	<u>142,570</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(47,122)</u>	<u>(43,531)</u>	<u>102,489</u>	<u>146,020</u>
<b>Other Financing Uses</b>				
Transfers Out	(553,386)	(548,923)		548,923
<i>Net Change in Fund Balance</i>	(600,508)	(592,454)	102,489	694,943
<i>Unencumbered Fund Balance Beginning of Year</i>	1,024,439	1,024,439	1,024,439	
<i>Unencumbered Fund Balance End of Year</i>	<u>\$423,931</u>	<u>\$431,985</u>	<u>\$1,126,928</u>	<u>\$694,943</u>

See accompanying notes to the basic financial statements

**Harris-Elmore Public Library**  
*Ottawa County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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

The Harris-Elmore Public Library, Ottawa County, Ohio (the Library) was organized as a school district public library in 1937 under the laws of the State of Ohio. The Library has its own seven-member Board of Trustees appointed by the Woodmore School District Board of Education, as established by section 3375.15 of the Ohio Rev. Code. 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 3375.41 of the Ohio Rev. 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 purposes of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

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

***Related Organization***

The Friends of the Harris-Elmore Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has 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.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in the “Basis of Accounting” section of this note, these financial statements are presented 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. Following are the more significant of the Library’s accounting policies.

***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net position – cash basis and the statement of activities – cash basis display information about the Library as a whole. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange transactions.

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The statement of net position – cash basis presents the cash balances of the governmental activities of the Library at year end. The statement of activities – cash basis compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a 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 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 governmental functions of the Library are financed. The following is the Library's major governmental fund:

**General Fund** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**Basis of Accounting**

The Library's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. .

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 liabilities and the related expenses) are not recorded in these financial statements.

**Budgetary Process**

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

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

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

***Cash and Cash Equivalents***

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

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

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

During 2017, the Library invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

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.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$50 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Library funds according to State statutes. Interest receipts credited to the General Fund during 2017 was \$8,131 which includes \$512 assigned from other Library funds.

***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.



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**Capital Assets**

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

**Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's 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 6 and 7, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

**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.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute. State Statute authorizes the Library Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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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.

***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.

**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. There were no differences between the budgetary basis and the cash basis.

**Note 4 – Deposits and Investments**

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

Investments may only be made through specified dealers and institutions. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Fiscal Officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Library had \$40 in undeposited cash on hand which is included as part of "Cash" or "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

### **Deposits**

Custodial credit risk 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 year end, \$163,736 of the Library's bank balance of \$1,078,814 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Library to a successful claim by the FDIC.

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 the Library and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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**Investments**

The library reports its investments at net asset value per share. As of December 31, 2017, the Library had the following investments:

Measurement Amount	Investment Maturities (in Years)			
	Less than 1	1-2	3-5	More than 5
STAR Ohio	\$127,710			

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

**Concentration of Credit Risk** The Library places no limit on the amount it may invest in any one issuer. The investment in STAR Ohio represents 100% of total investments as of December 31, 2018.

**Note 5 – Grants in Aid, Property Taxes, and Tax Abatements**

**Grants in Aid**

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

**Property Taxes**

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

2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2017, was \$1.10 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

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Real Property	\$247,901,660
Public Utility Personal Property	<u>9,584,890</u>
Total	<u><u>\$257,486,550</u></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**

Harris Township and Ottawa County entered into a Tax Abatement Agreement with Brush Wellman Inc. (nka Materion) in February 1995, which affects the Library’s tax revenue. Materion constructed a new 100,000 – 150,000 square foot manufacturing facility known as the Pebble Plant at a cost of up to \$13,000,000 and installed approximately \$60,000,000 of manufacturing machinery and equipment for the manufacturing of metallic beryllium materials. Materion planned to create 25 new full-time jobs over a three year period resulting from the construction of Pebble plant, and planned to retain 118 jobs at the Elmore Facility. The project began in 2008 and was completed in 2010. Harris Township and Ottawa County granted Materion a tax exemption for real property improvements made to the project site pursuant to Ohio Rev. Code § 5709.632 and consisted of a 100% abatement for ten years. The exemption commences the first year for which the real property would first be taxable, were that property not exempted from taxation. No exemption shall commence after Tax Return Year 2010, no extend beyond Tax Return Year 2020.

**Note 6 – Defined Benefit Pension Plan**

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

Plan Description – Library employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit /defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional and combined plans. 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 in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS’ CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

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<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> 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> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Traditional Plan 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	<b>Traditional Plan 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	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 35 years and 1.25% 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 traditional plan 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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

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

- \* This rate is determined by OPERS' Board and has no maximum rate established by ORC.
- \*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.
- \*\*\* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
- \*\*\*\* This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution was \$41,130 for the year 2017.

**Note 7 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

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

OPERS 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. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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 75. 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.

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, 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.

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 OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library’s contractually required contribution was \$2,937 for the year 2017.

**Note 8 – Risk Management**

***Commercial Insurance***

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 several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage
Westfield Insurance Company	Medical Expense Limit	\$5,000
	Damage to Rented Premises	100,000
	Personal & Advertising Injury Limit	1,000,000
	Products/Completed Operations	2,000,000
	General Liability, in aggregate	2,000,000
	General Liability, per occurrence	1,000,000
	Auto Liability	1,000,000
	Fine Arts	10,000
	Computer, Emergency Backup	250,000
Selective Insurance Co. of America	Employment Practices	1,000,000
	Directors and Officers Liability	1,000,000
West Bend	Public Officials Bond	100,000

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



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The Library participates in the Ohio Library Council-2 Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangements insures that each participant shares equally in the overall performance of the GRP. CareWorks Comp. provides administrative, cost control and actuarial services to the GRP.

**Note 9 – Fund Balances**

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

Fund Balances	General	Other Governmental Funds	Total
<b>Restricted for</b>			
Elmore Building Addition		\$35,000	\$35,000
<b>Committed to</b>			
Library Books or Programs		17,944	17,944
Elmore Building		12,000	12,000
Genoa Branch		10,810	10,810
<i>Total Committed</i>		40,754	40,754
<b>Assigned to</b>			
Subsequent Year Appropriations	\$360,762		360,762
<b>Unassigned (Deficit)</b>			
	766,166		766,166
<i>Total Fund Balances</i>	\$1,126,928	\$75,754	\$1,202,682

**Note 10 – Subsequent Events**

The Board of Trustees has intentions of constructing an addition to/renovation of the Elmore Public Library building that will cost approximately \$635,800. Bids were accepted and read by the Board of Trustees on January 31, 2019. The Board of Trustees approved the Library to obtain a loan from First Federal Bank in the amount of \$300,000 in April, 2019. Additional funding for the project has been made through generous donations, and a transfer from the General fund. Construction commenced in April, 2019, with an anticipated completion date during October, 2019.

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**Note 11 – Change in Basis of Accounting**

Last year, the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Library has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

# OHIO AUDITOR OF STATE KEITH FABER



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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*

Harris-Elmore Public Library  
Ottawa County  
328 Toledo Street, P.O. Box 45  
Elmore, Ohio 43416-0045

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 Harris-Elmore Public Library, Ottawa County, Ohio (the Library) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 16, 2019, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles. We also noted the Library elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*.

### ***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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

***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*.

***Library's Response to Finding***

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Library's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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.



Keith Faber  
Auditor of State

Columbus, Ohio

October 16, 2019

**HARRIS-ELMORE PUBLIC LIBRARY  
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2018-001**

**Material Weakness – Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors required adjustment to the basic financial statements and/or notes to the basic financial statements for the year ended December 31, 2018:

- Governmental Activities equity in pooled cash and cash equivalents in the amount of \$1,292,206 was incorrectly classified as cash and cash equivalents in segregated accounts on the Statement of Net Position - Cash Basis;
- Governmental Activities capital grants and contributions in the amount of \$79,314 were incorrectly classified as general receipts - miscellaneous on the Statement of Activities;
- General Fund, Elmore Building Addition Fund, and Other Governmental Funds equity in pooled cash and cash equivalents in the amounts of \$862,748, \$349,825, and \$34,633, respectively, were incorrectly classified as cash and cash equivalents in segregated accounts on the Statement of Assets and Fund Balances - Cash Basis; and
- Other Governmental Funds restricted fund balance of \$34,636 was reclassified to committed in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179) on the Statement of Assets and Fund Balances - Cash Basis.

The following errors required adjustment to the basic financial statements and/or notes to the basic financial statements for the fiscal year ended December 31, 2017:

- Governmental Activities equity in pooled cash and cash equivalents in the amount of \$127,578 was incorrectly classified as investments on the Statement of Net Position - Cash Basis;
- Governmental Activities general receipts - grants/entitlements not restricted to specific programs in the amount of \$422,377 were incorrectly classified as general receipts - other local taxes on the Statement of Activities;
- General Fund equity in pooled cash and cash equivalents in the amount of \$127,578 was incorrectly classified as investments on the Statement of Assets and Fund Balances - Cash Basis; and
- Other Governmental Funds restricted fund balance of \$40,754 was reclassified to committed in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179) on the Statement of Assets and Fund Balances - Cash Basis.

**FINDING NUMBER 2018-001  
(CONTINUED)**

These errors were not identified and corrected prior to the Library preparing its basic financial statements and notes to the basic financial statements due to deficiencies in the Library's internal controls over financial statement monitoring. The accompanying basic financial statements and notes to the basic financial statements have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted for the years ended December 31, 2018 and 2017.

To help ensure the Library's basic financial statements and notes to the basic financial statements are complete and accurate, the Library should adopt policies and procedures, including a final review of the basic financial statements and notes to the basic financial statements by the Fiscal Officer and Board of Trustees to help identify and correct errors and omissions. The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54:

<http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

**Officials' Response:**

The Fiscal Officer is aware of the requirements, and will review the annual report before and after it has been submitted by UAN to AOS to ensure that amounts are properly classified for 2019 and future years.



# Harris-Elmore | Genoa Libraries

[www.harriselmorelibrary.org](http://www.harriselmorelibrary.org)

Harris-Elmore Library  
 328 Toledo Street - Elmore, Oh 43416  
 Phone 419-862-2482

Genoa Branch Library  
 602 West Street, Genoa Ohio 43430  
 Phone 419-855-3380

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	First reported in 2014. Material Weakness for errors in financial reporting	Not corrected and reissued as Finding 2018-001 in this report.	This matter was not corrected due to deficiencies in the Library's internal controls over financial statement monitoring. The Fiscal Officer is aware of the requirements, and will review the annual report before and after it has been submitted by UAN to AOS to ensure that amounts are properly classified for 2019 and future years.

Hours of Operation  
 Monday through Thursday: 10 a.m. til 8 p.m. • Friday & Saturday: 10 a.m. til 5 p.m.  
 Closed Sunday

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# OHIO AUDITOR OF STATE KEITH FABER



**HARRIS-ELMORE PUBLIC LIBRARY**

**OTTAWA 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 7, 2019**