



Dave Yost • Auditor of State

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY
LAKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Willoughby-Eastlake Public Library
Lake County
263 East 305th Street
Willowick, Ohio 44095

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willoughby-Eastlake Public Library, Lake County, Ohio (the Library), as of and for the years ended December 31, 2016 and 2015, 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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Willoughby-Eastlake Public Library, Lake County, Ohio, as of December 31, 2016 and 2015, and the respective changes in cash financial position and the budgetary comparisons for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2017, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

June 8, 2017

Willoughby-Eastlake Public Library
Statement of Net Position - Cash Basis
December 31, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,883,375
Cash and Cash Equivalents in Segregated Accounts	35,233
<i>Total Assets</i>	<i>\$4,918,608</i>
Net Position	
Restricted for:	
Capital Projects	\$3,493,572
Permanent Fund Purpose:	
Nonspendable	7,500
Grant	3,571
Other Purposes	156,108
Unrestricted	1,257,857
<i>Total Net Position</i>	<i>\$4,918,608</i>

See accompanying notes to the basic financial statements

Willoughby-Eastlake Public Library
Statement of Activities - Cash Basis
For the Year Ended December 31, 2016

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u> <u>Charges</u> <u>for Services</u> <u>and Sales</u>	<u>Net (Disbursements)</u> <u>Receipts and Changes in</u> <u>Net Position</u> <u>Governmental</u> <u>Activities</u>
Governmental Activities			
Current:			
Library Services:			
Public Services and Programs	\$1,907,595	\$97,601	(\$1,809,994)
Collection Development and Processing	1,436,942		(1,436,942)
Support Services:			
Facilities Operation and Maintenance	448,835		(448,835)
Information Services	58,598		(58,598)
Business Administration	1,686,351		(1,686,351)
Capital Outlay	103,041		(103,041)
<i>Total Governmental Activities</i>	<u>\$5,641,362</u>	<u>\$97,601</u>	<u>(5,543,761)</u>
General Receipts:			
Property Taxes Levied for General Purposes			2,999,342
Public Library Fund			1,856,313
Other Local Taxes			379,498
Unrestricted Gifts and Contributions			3,569
Earnings on Investments			27,365
Miscellaneous			16,855
<i>Total General Receipts</i>			<u>5,282,942</u>
Change in Net Position			(260,819)
<i>Net Position Beginning of Year</i>			<u>5,179,427</u>
<i>Net Position End of Year</i>			<u>\$4,918,608</u>

See accompanying notes to the basic financial statements

Willoughby-Eastlake Public Library
Statement of Assets and Fund Balances-Cash Basis
Governmental Funds
December 31, 2016

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,257,857	\$3,493,572	\$128,375	\$4,879,804
Cash and Cash Equivalents in Segregated Accounts			35,233	35,233
Cash and Cash Equivalents with Fiscal/Escrow Agents			3,571	3,571
<i>Total Assets</i>	<u>\$1,257,857</u>	<u>\$3,493,572</u>	<u>\$167,179</u>	<u>\$4,918,608</u>
Fund Balances				
Nonspendable			\$7,500	\$7,500
Restricted			13,071	13,071
Committed	\$25,726	\$3,493,572	146,608	3,665,906
Assigned	73,697			73,697
Unassigned	1,158,434			1,158,434
<i>Total Fund Balances</i>	<u>\$1,257,857</u>	<u>\$3,493,572</u>	<u>\$167,179</u>	<u>\$4,918,608</u>

See accompanying notes to the basic financial statements

Willoughby-Eastlake Public Library
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2016

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$2,999,342			\$2,999,342
Public Library	1,856,313			1,856,313
Intergovernmental	379,498			379,498
Patron Fines and Fees	97,601			97,601
Contributions, Gifts and Donations	3,569			3,569
Earnings on Investments	17,919	\$8,780	\$666	27,365
Miscellaneous	13,284			13,284
<i>Total Receipts</i>	<u>5,367,526</u>	<u>8,780</u>	<u>666</u>	<u>5,376,972</u>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	1,907,595			1,907,595
Collection Development and Processing	1,436,942			1,436,942
Support Services:				
Facilities Operation and Maintenance	448,835			448,835
Information Services	58,598			58,598
Business Administration	1,443,131	243,220		1,686,351
Capital Outlay	46,849	13,341	42,851	103,041
<i>Total Disbursements</i>	<u>5,341,950</u>	<u>256,561</u>	<u>42,851</u>	<u>5,641,362</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>25,576</u>	<u>(247,781)</u>	<u>(42,185)</u>	<u>(264,390)</u>
Other Financing Sources (Uses)				
Transfers In		1,825,000		1,825,000
Transfers Out	(1,825,000)			(1,825,000)
Other Financing Sources			3,571	3,571
<i>Total Other Financing Sources (Uses)</i>	<u>(1,825,000)</u>	<u>1,825,000</u>	<u>3,571</u>	<u>3,571</u>
<i>Net Change in Fund Balances</i>	(1,799,424)	1,577,219	(38,614)	(260,819)
<i>Fund Balances Beginning of Year</i>	<u>3,057,281</u>	<u>1,916,353</u>	<u>205,793</u>	<u>5,179,427</u>
<i>Fund Balances End of Year</i>	<u>\$1,257,857</u>	<u>\$3,493,572</u>	<u>\$167,179</u>	<u>\$4,918,608</u>

See accompanying notes to the basic financial statements

Willoughby-Eastlake Public Library
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$2,844,772	\$2,844,772	\$2,999,342	\$154,570
Public Library	1,907,825	1,907,825	1,856,313	(51,512)
Intergovernmental	375,000	375,000	379,498	4,498
Patron Fines and Fees	105,000	105,000	97,601	(7,399)
Contributions, Gifts and Donations			3,569	3,569
Earnings on Investments	2,500	2,500	17,919	15,419
Miscellaneous	15,000	15,000	13,284	(1,716)
<i>Total Receipts</i>	<u>5,250,097</u>	<u>5,250,097</u>	<u>5,367,526</u>	<u>117,429</u>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	1,944,694	1,930,292	1,907,598	22,694
Collection Development and Processing	1,458,713	1,498,798	1,459,564	39,234
Support Services:				
Facilities Operation and Maintenance	470,517	489,870	468,890	20,980
Information Services	61,962	60,216	58,598	1,618
Business Administration	1,407,678	1,499,773	1,474,150	25,623
Capital Outlay	108,200	110,765	46,847	63,918
<i>Total Disbursements</i>	<u>5,451,764</u>	<u>5,589,714</u>	<u>5,415,647</u>	<u>174,067</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(201,667)</u>	<u>(339,617)</u>	<u>(48,121)</u>	<u>291,496</u>
Other Financing Sources (Uses)				
Transfers Out		(1,825,000)	(1,825,000)	
Other Financing Sources	50,000	47,000		(47,000)
<i>Total Other Financing Sources (Uses)</i>	<u>50,000</u>	<u>(1,778,000)</u>	<u>(1,825,000)</u>	<u>(47,000)</u>
<i>Net Change in Fund Balance</i>	(151,667)	(2,117,617)	(1,873,121)	244,496
<i>Unencumbered Fund Balance Beginning of Year</i>	2,922,331	2,922,331	2,922,331	
Prior Year Encumbrances Appropriated	134,950	134,950	134,950	
<i>Unencumbered Fund Balance End of Year</i>	<u>\$2,905,614</u>	<u>\$939,664</u>	<u>\$1,184,160</u>	<u>\$244,496</u>

See accompanying notes to the basic financial statements

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Willoughby-Eastlake Public Library

Notes to the Basic Financial Statements

For the Years Ended December 31, 2016

Note 1 – Description of the Library and Reporting Entity

The Willoughby-Eastlake Public Library, Lake County, Ohio (the Library) was organized as a school district public library in 1906 under the laws of the State of Ohio. The Library has its own seven-member Board of Trustees appointed by the Willoughby-Eastlake School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board (“GASB”), “The Financial Reporting Entity,” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”, and GASB Statement No. 61, “The Financial Reporting Entity Omnibus – an Amendment of GASB Statement No. 14 and No. 34”, the Library is considered to be a related organization of the Ohio School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board; and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library. The Library has no component units.

The Willoughby-Eastlake Library Boosters, started March 17, 2015 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.

Willoughby-Eastlake Public Library

Notes to the Basic Financial Statements

For the Years Ended December 31, 2016

(Continued)

Note 2 - Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this note, the financial statements of the Willoughby-Eastlake Public Library have been prepared on a *cash* basis of accounting. This *cash* basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the *cash* basis of accounting. The most significant of the Library's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library. These statements usually distinguish between those activities of the Library that are governmental and those that are considered business-type. However, the Library has only governmental activities; therefore no business-type activities are presented.

The statement of net position presents the cash and investment balances of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, 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 fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

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

Willoughby-Eastlake Public Library

Notes to the Basic Financial Statements

For the Years Ended December 31, 2016

(Continued)

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

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

General Fund - The general fund accounts for and reports all financial resources 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.

Capital Projects Fund - The capital projects fund accounts for and reports resources committed by the Board of Library Trustees specifically for major capital improvements.

Computer Information Fund - The computer information fund accounts for monies set aside by the Board of Library Trustees specifically for computer technology system upgrades and enhancements.

The other governmental funds of the Library account for monies expended under the provision of a will.

Basis of Accounting

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

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 under the Ohio Administrative Code. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts 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.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2016
(Continued)

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

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

Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest earned is reported to each individual fund.

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 2016, the Library invested in STAR Ohio. The investments in STAR Ohio is reported at the amount reported by the State Treasurer at December 31, 2016.

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 also implemented GASB Statement No. 79 for 2016. The implementation of this GASB pronouncement had no effect on beginning net position/fund balance. 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 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Library funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2016 was \$17,919 which includes \$10,921 assigned from other Library funds.

Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets represent the portion of the Worrallo Fund which is nonspendable.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2016
(Continued)

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

Inventory and Prepaid Items

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

Capital Assets

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

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

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

Long-Term Obligations

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

Fund Balance

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

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

Restricted Fund balance is reported as restricted when constraints 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.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2016
(Continued)

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

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.

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

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$73,697 for the general fund for 2016.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2016
(Continued)

Note 4 – Deposits and Investments

Monies held by the Library are classified by State statute 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit including CDARS or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2016
(Continued)

Note 4 – Deposits and Investments – (Continued)

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged to the Library by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

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

At year end for 2016, the Library had \$700 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,615,879 of the total bank balance of \$4,946,483 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2016, the Library had an investment in STAR Ohio \$401,154.

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library's investment policy addresses interest rate risk by requiring the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2016
(Continued)

Note 4 – Deposits and Investments – (Continued)

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.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 5 – Grants in Aid and Property Taxes

Grants in Aid

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

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder 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. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2016
(Continued)

Note 5 – Grants in Aid and Property Taxes – (Continued)

The full tax rate for all Library operations for the year ended December 31, 2016 was \$2.30 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Estate:	2016	
Residential/Agriculture	\$1,082,346,180	
Commercial/Industrial/Mineral	367,541,440	
Public Utility Tangible	81,484,720	
 Total	 \$1,531,372,340	

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.

Note 6 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage
Berkley Mid-Atlantic Group	Commercial General Liability	\$6,525,000
	Commercial Property	1,201,500
	General Liability	4,000,000
	Ohio Employers Liability	1,000,000
	Crime	25,000
	Data Processing	750,000
	Automobile/Garage	4,000,000
	Business Interruption	12 mo actual loss
	Commercial Umbrella	3,000,000
	Non-Profit Organization Blue Chip	1,000,000
Zurich North American Surety	Public Officials Bond	75,000/25,000
Westfield Insurance	Flood Insurance	\$50,000

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.

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

Willoughby-Eastlake Public Library

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2016
(Continued)*

Note 7 - Defined Benefit Pension Plan

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 cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Library employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2016
(Continued)

Note 7 - Defined Benefit Pension Plan – (Continued)

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

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

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

- * This rate is determined by OPERS' Board and has no maximum
- ** This rate is also determined by OPERS' Board, but is limited by
than 2 percent greater than the Public Safety rate.

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

The Library's contractually required contribution was \$283,817 for year 2016.

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.

Willoughby-Eastlake Public Library

Notes to the Basic Financial Statements

For the Years Ended December 31, 2016

(Continued)

Note 8 - Postemployment Benefits – (Continued)

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2016
(Continued)

Note 8 - Postemployment Benefits – (Continued)

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Library’s contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$47,303, \$30,574, and \$54,992, respectively. The full amount has been contributed for all three years.

Note 9 – Leases

The Library leases buildings, vehicles and other equipment under noncancelable leases. The Library disbursed \$56,700 to pay lease costs for the year ended December 31, 2016.

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	Projects Fund	Governmental Funds	Total
Nonspendable				
Trust Principal			\$7,500	\$7,500
Restricted for				
Trust Earnings			9,500	9,500
Grant			3,571	3,571
Committed to				
Contractual Commitments	\$25,726			25,726
Computer Fund			111,375	111,375
Eastlake Coal Plant Fund			35,233	35,233
Capital Improvements		\$3,493,572		3,493,572
<i>Total Committed</i>	<u>25,726</u>	<u>3,493,572</u>	<u>146,608</u>	<u>3,665,906</u>
Assigned to				
Encumbrances	73,697			73,697
Unassigned (Deficit)				
	<u>1,158,434</u>			<u>1,158,434</u>
<i>Total Fund Balances</i>	<u>\$1,257,857</u>	<u>\$3,493,572</u>	<u>\$167,179</u>	<u>\$4,918,608</u>

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2016
(Continued)

Note 11 – Interfund Transfers

The Willoughby-Eastlake Public Library Board approved a transfer of \$1,400,000 with Motion #60-16 on May 16, 2016 and \$425,000 with Motion #115-16 on 12/19/2016 both to the Capital Projects Fund for future capital purchases.

Note 12 – Construction and Contractual Commitments

At December 31, 2016, the Library had contractual commitments of \$25,726 to Cleveland Public Library.

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Willoughby-Eastlake Public Library
Statement of Net Position - Cash Basis
December 31, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,144,194
Cash and Cash Equivalents in Segregated Accounts	35,233
<i>Total Assets</i>	<i>\$5,179,427</i>
Net Position	
Restricted for:	
Capital Projects	\$1,916,353
Permanent Fund Purpose:	
Nonspendable	7,500
Other Purposes	198,293
Unrestricted	3,057,281
<i>Total Net Position</i>	<i>\$5,179,427</i>

See accompanying notes to the basic financial statements

Willoughby-Eastlake Public Library
Statement of Activities - Cash Basis
For the Year Ended December 31, 2015

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u> <u>Charges</u> <u>for Services</u> <u>and Sales</u>	<u>Net (Disbursements)</u> <u>Receipts and Changes in</u> <u>Net Position</u> <u>Governmental</u> <u>Activities</u>
Governmental Activities			
Current:			
Library Services:			
Public Services and Programs	\$1,897,968	\$97,664	(\$1,800,304)
Collection Development and Processing	1,438,935		(1,438,935)
Support Services:			
Facilities Operation and Maintenance	446,426		(446,426)
Information Services	61,735		(61,735)
Business Administration	1,223,439		(1,223,439)
Capital Outlay	332,535		(332,535)
<i>Total Governmental Activities</i>	<u>\$5,401,038</u>	<u>\$97,664</u>	<u>(5,303,374)</u>
General Receipts:			
Property Taxes Levied for General Purposes			2,881,706
Public Library Fund			1,881,700
Other Local Taxes			382,818
Unrestricted Gifts and Contributions			7,456
Earnings on Investments			18,285
Miscellaneous			40,466
<i>Total General Receipts</i>			<u>5,212,431</u>
Change in Net Position			(90,943)
<i>Net Position Beginning of Year</i>			<u>5,270,370</u>
<i>Net Position End of Year</i>			<u>\$5,179,427</u>

See accompanying notes to the basic financial statements

Willoughby-Eastlake Public Library
Statement of Assets and Fund Balances-Cash Basis
Governmental Funds
December 31, 2015

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,057,281	\$1,916,353	\$170,560	\$5,144,194
Cash and Cash Equivalents in Segregated Accounts			35,233	35,233
<i>Total Assets</i>	<u>\$3,057,281</u>	<u>\$1,916,353</u>	<u>\$205,793</u>	<u>\$5,179,427</u>
Fund Balances				
Nonspendable			\$7,500	\$7,500
Restricted			9,496	9,496
Committed	\$139,687	\$1,916,353	188,797	2,244,837
Assigned	134,950			134,950
Unassigned	2,782,644			2,782,644
<i>Total Fund Balances</i>	<u>\$3,057,281</u>	<u>\$1,916,353</u>	<u>\$205,793</u>	<u>\$5,179,427</u>

See accompanying notes to the basic financial statements

Willoughby-Eastlake Public Library
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2015

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$2,881,706			\$2,881,706
Public Library	1,881,700			1,881,700
Intergovernmental	382,818			382,818
Patron Fines and Fees	96,851			96,851
Contributions, Gifts and Donations	7,456			7,456
Earnings on Investments	11,341	\$6,681	\$263	18,285
Miscellaneous	41,279			41,279
<i>Total Receipts</i>	<u>5,303,151</u>	<u>6,681</u>	<u>263</u>	<u>5,310,095</u>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	1,897,968			1,897,968
Collection Development and Processing	1,438,935			1,438,935
Support Services:				
Facilities Operation and Maintenance	446,426			446,426
Information Services	61,735			61,735
Business Administration	1,203,484	11,988	7,967	1,223,439
Capital Outlay	257,292	31,060	44,183	332,535
<i>Total Disbursements</i>	<u>5,305,840</u>	<u>43,048</u>	<u>52,150</u>	<u>5,401,038</u>
<i>Net Change in Fund Balances</i>	(2,689)	(36,367)	(51,887)	(90,943)
<i>Fund Balances Beginning of Year</i>	<u>3,059,970</u>	<u>1,952,720</u>	<u>257,680</u>	<u>5,270,370</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,057,281</u></u>	<u><u>\$1,916,353</u></u>	<u><u>\$205,793</u></u>	<u><u>\$5,179,427</u></u>

See accompanying notes to the basic financial statements

Willoughby-Eastlake Public Library
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$2,784,474	\$2,784,474	\$2,881,706	\$97,232
Public Library	1,771,237	1,771,237	1,881,700	110,463
Intergovernmental	375,000	375,000	382,818	7,818
Patron Fines and Fees	105,400	105,400	96,851	(8,549)
Contributions, Gifts and Donations			7,456	7,456
Earnings on Investments	10,000	10,000	11,341	1,341
Miscellaneous	15,000	15,000	41,279	26,279
<i>Total Receipts</i>	5,061,111	5,061,111	5,303,151	242,040
Disbursements				
Current:				
Library Services:				
Public Services and Programs	1,906,517	1,911,414	1,897,969	13,445
Collection Development and Processing	1,467,525	1,521,758	1,468,657	53,101
Support Services:				
Facilities Operation and Maintenance	450,950	478,887	459,493	19,394
Information Services	64,556	64,921	61,735	3,186
Business Administration	1,375,511	1,388,576	1,293,080	95,496
Capital Outlay	242,200	308,276	259,856	48,420
<i>Total Disbursements</i>	5,507,259	5,673,832	5,440,790	233,042
<i>Excess of Receipts Over (Under) Disbursements</i>	(446,148)	(612,721)	(137,639)	475,082
Other Financing Sources (Uses)				
Other Financing Sources	100,000	50,000		(50,000)
<i>Total Other Financing Sources (Uses)</i>	100,000	50,000		(50,000)
<i>Net Change in Fund Balance</i>	(346,148)	(562,721)	(137,639)	425,082
<i>Unencumbered Fund Balance Beginning of Year</i>	2,943,397	2,943,397	2,943,397	
Prior Year Encumbrances Appropriated	116,573	116,573	116,573	
<i>Unencumbered Fund Balance End of Year</i>	\$2,713,822	\$2,497,249	\$2,922,331	\$425,082

See accompanying notes to the basic financial statements

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Willoughby-Eastlake Public Library

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2015*

Note 1 – Description of the Library and Reporting Entity

The Willoughby-Eastlake Public Library, Lake County, Ohio (the Library) was organized as a school district public library in 1906 under the laws of the State of Ohio. The Library has its own seven-member Board of Trustees appointed by the Willoughby-Eastlake School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board (“GASB”), “The Financial Reporting Entity,” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”, and GASB Statement No. 61, “The Financial Reporting Entity Omnibus – an Amendment of GASB Statement No. 14 and No. 34”, the Library is considered to be a related organization of the Ohio School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board; and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library. The Library has no component units.

The Willoughby-Eastlake Library Boosters, started March 17, 2015 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.

Willoughby-Eastlake Public Library

Notes to the Basic Financial Statements

For the Years Ended December 31, 2015

(Continued)

Note 2 - Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this note, the financial statements of the Willoughby-Eastlake Public Library have been prepared on a *cash* basis of accounting. This *cash* basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the *cash* basis of accounting. The most significant of the Library's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library. These statements usually distinguish between those activities of the Library that are governmental and those that are considered business-type. However, the Library has only governmental activities; therefore no business-type activities are presented.

The statement of net position presents the cash and investment balances of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, 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 fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

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

Willoughby-Eastlake Public Library

Notes to the Basic Financial Statements

For the Years Ended December 31, 2015

(Continued)

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

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

General Fund - The general fund accounts for and reports all financial resources 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.

Capital Projects Fund - The capital projects fund accounts for and reports resources committed by the Board of Library Trustees specifically for major capital improvements.

Computer Information Fund - The computer information fund accounts for monies set aside by the Board of Library Trustees specifically for computer technology system upgrades and enhancements.

The other governmental funds of the Library account for monies expended under the provision of a will.

Basis of Accounting

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

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 under the Ohio Administrative Code. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts 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.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2015
(Continued)

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

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

Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest earned is reported to each individual fund.

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 2015, investments were limited to STAR Ohio. This investment is recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2015.

Interest earnings are allocated to Library funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2015 was \$11,341 which includes \$548 assigned from other Library funds.

Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets represent the portion of the Worrallo Fund which is nonspendable.

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.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2015
(Continued)

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

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 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

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

Fund Balance

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

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

Restricted Fund balance is reported as restricted when constraints 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.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2015
(Continued)

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

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

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

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

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

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$134,950 for the general fund for 2015.

Note 4 – Deposits and Investments

Monies held by the Library are classified by State statute 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.

Willoughby-Eastlake Public Library

Notes to the Basic Financial Statements

For the Years Ended December 31, 2015

(Continued)

Note 4 – Deposits and Investments – (Continued)

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

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged to the Library by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

Willoughby-Eastlake Public Library

Notes to the Basic Financial Statements

For the Years Ended December 31, 2015

(Continued)

Note 4 – Deposits and Investments – (Continued)

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

At year end for 2015, the Library had \$700 in undeposited cash on hand which is included as part of “*Equity in Pooled Cash and Cash Equivalents*” on the financial statements.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,064,859 of the Library’s bank balance of \$5,225,259 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Library’s name.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2015, the Library had an investment in STAR Ohio \$399,018.

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library’s investment policy addresses interest rate risk by requiring the Library’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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.

Willoughby-Eastlake Public Library

Notes to the Basic Financial Statements

For the Years Ended December 31, 2015

(Continued)

Note 4 – Deposits and Investments – (Continued)

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

Note 5 – Grants in Aid and Property Taxes

Grants in Aid

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

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2015
(Continued)

Note 5 – Grants in Aid and Property Taxes – (Continued)

The full tax rate for all Library operations for the year ended December 31, 2015 was \$2.30 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

Real Estate:	2015	
Residential/Agriculture	\$1,070,545,680	
Commercial/Industrial/Mineral	379,649,860	
Public Utility Tangible	50,033,760	
	Total	
	\$1,500,229,300	

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.

Note 6 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2015, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage
Cincinnati Insurance Company	Commercial General Liability	\$6,525,000
	Commercial Property	1,201,500
	General Liability	4,000,000
	Ohio Employers Liability	1,000,000
	Crime	25,000
	Data Processing	150,000
	Automobile/Garage	1,000,000
	Business Interruption	100,000
	Commercial Umbrella	3,000,000
	Non-Profit Organization Blue Chip	1,000,000
Zurich North American Surety	Public Officials Bond	75,000/25,000
Westfield Insurance	Flood Insurance	\$50,000

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.

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

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2015
(Continued)

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 cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Library employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2015
(Continued)

Note 7 - Defined Benefit Pension Plan – (Continued)

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

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
 Employee	 10.0 %

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

The Library's contractually required contribution was \$187,651 for 2015.

Note 8 - Postemployment Benefits

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of Ohio Revised Code. Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Willoughby-Eastlake Public Library

Notes to the Basic Financial Statements

For the Years Ended December 31, 2015

(Continued)

Note 8 - Postemployment Benefits – (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015 and 2014, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post employment healthcare benefits.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the porting of the employer contribution rate that will be set aside for funding of post employment health care benefits. Effective January 1, 2014, the portion of employer contributions allocated to health care benefits was raised to 2 percent for members in both the Traditional and Combined plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate four percent of the employer contributions toward the health care fund after the end of the transition period.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$30,574, \$54,992 and \$25,734, respectively. The full amount has been contributed for all three years.

Note 9 – Leases

The Library leases buildings, vehicles and other equipment under noncancelable leases. The Library disbursed \$52,461 to pay lease costs for the year ended December 31, 2015.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2015
(Continued)

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:

December 31, 2015		Capital Projects Fund	Other Governmental Funds	Total
Fund Balances	General	Fund	Funds	Total
Nonspendable				
Trust Principal			\$7,500	\$7,500
Restricted for				
Trust Earnings			9,496	9,496
Committed to				
Contractual Commitments	\$139,687			139,687
Computer Fund			153,564	153,564
Eastlake Coal Plant Fund			35,223	35,223
Capital Improvements		1,916,353		1,916,353
<i>Total Committed</i>	<u>139,687</u>	<u>1,916,353</u>	<u>188,787</u>	<u>2,244,827</u>
Assigned to				
Encumbrances	134,950			134,950
Unassigned (Deficit)				
	<u>2,782,644</u>			<u>2,782,644</u>
<i>Total Fund Balances</i>	<u><u>\$3,057,281</u></u>	<u><u>\$1,916,353</u></u>	<u><u>\$205,783</u></u>	<u><u>\$5,179,417</u></u>

Note 11 – Construction and Contractual Commitments

At December 31, 2015, the Library had contractual commitments of \$88,339 to Healthspan, \$13,550 to Cleveland Public Library, and \$2,565 to HBM Architects.



Dave Yost • Auditor of State

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

Willoughby-Eastlake Public Library
Lake County
263 East 305th Street
Willowick, Ohio 44095

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willoughby-Eastlake Public Library, Lake County, Ohio, (the Library) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 8, 2017, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

June 8, 2017



Dave Yost • Auditor of State

WILLOUGHBY – EASTLAKE PUBLIC LIBRARY

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 6, 2017**