

WAYNE COUNTY PUBLIC LIBRARY

WAYNE COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2016





Dave Yost • Auditor of State

Board of Trustees
Wayne County Public Library
304 North Market Street
Wooster, Ohio 44691

We have reviewed the *Independent Auditor's Report* of the Wayne County Public Library, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

May 31, 2017

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WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY, OHIO
Audit Report
For the Year Ended December 31, 2016

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Wayne County Public Library
Wayne County
304 North Market Street
Wooster, Ohio 44691

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified 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 opinion.

Opinion

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

Accounting Basis

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


Other Matters

Other Information

We applied no procedures to Management's Discussion & Analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 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.



Charles E. Harris & Associates, Inc.
March 31, 2017

Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

As the management of the Wayne County Public Library, we offer readers of the Library's financial statements this narrative overview and analysis of the Library's financial activities for the year ended December 31, 2016.

FINANCIAL HIGHLIGHTS

- The Library's total net position decreased \$1,391,428 or 27.11%.
- As of the close of the most recent fiscal year, the fund balance in the Library's general fund was \$2.51 million, a decrease of \$52,316 or 2.04%, from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The statement of net position-modified cash basis presents information on all of the Library's assets, within the limitations of the modified cash basis of accounting. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of activities-modified cash basis presents information showing how the government's net position changed during the most recent fiscal year, within the limitations of the modified cash basis of accounting.

The government-wide financial statements can be found on pages 10 through 11 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Library maintains 21 individual governmental funds. Information is presented separately in the governmental fund statement of modified cash basis assets and fund balances and in the governmental fund statement of cash receipts, disbursements and changes in modified cash basis fund balances for the General Fund, the Building and Repair Fund, and the Dalton Addition Fund. These funds are the Library's major funds. Data from the other governmental funds are combined into a single, aggregated presentation. The Library's fund financial statements begin on page 12.

The Library adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 15 of this report.

Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

THE LIBRARY AS A WHOLE

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

Table 1
Net Position

	2016	2015
Assets	\$3,740,180	\$5,131,608
Total Assets	\$3,740,180	\$5,131,608
Net Position		
Restricted	\$326,652	\$1,374,915
Unrestricted	3,413,528	3,756,693
Total Net Position	\$3,740,180	\$5,131,608

Cash balances decreased between years due to disbursements exceeding receipts during 2016. Restricted net position decreased due to the completion of the addition of the Dalton Addition/Renovation. Significant changes in receipts and disbursements will be discussed under Table 2.

Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

Table 2 shows the changes in net position for the year ended December 31, 2016 as compared to 2015.

Table 2
Changes in Net Position

	2016	2015
Receipts:		
Program Cash Receipts		
Charges for Services and Sales	\$129,461	\$137,104
Capital Grants and Contributions	43,110	131,252
Total Program Cash Receipts	172,571	268,356
General Receipts		
Taxes	2,136,127	2,237,380
Unrestricted Gifts and Contributions	50,079	45,940
Unrestricted Grants and Entitlements	3,253,320	3,253,969
Proceeds from Loan	0	1,225,000
Interest	31,037	17,220
Other Receipts	97,871	91,901
Total General Receipts	5,568,434	6,871,410
Total Receipts	5,741,005	7,139,766
Disbursements:		
Program Disbursements:		
Public Service and Programs	2,228,686	2,167,155
Collection Development and Processing	1,276,800	1,348,943
Facilities Operation and Maintenance	679,767	722,515
Information Services	475,344	489,728
Business Administration	559,121	538,846
Capital Outlay	1,364,542	454,180
Debt Service:		
Principal Retirement	422,125	372,840
Interest	126,048	121,903
Total Disbursements	7,132,433	6,216,110
Changes in Net Position	(1,391,428)	923,656
Net Position, Beginning of Year	5,131,608	4,207,952
Net Position, End of Year	\$3,740,180	\$5,131,608

Total receipts decreased \$1,398,761. This decrease was due mainly to the issuance of a loan during 2015. Capital grants and contributions decreased due to donations for the renovations to the Dalton Branch received in the prior year.

Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

Total disbursements increased \$916,323. This increase was due mainly to an increase in capital outlay. Capital outlay increased as a result of the Dalton Branch renovation. Principal retirement disbursements increased due to the retirement of debt.

General receipts comprise 96.99% of the Library's receipts with property taxes and unrestricted state entitlements being the primary contributors. Public service and programs, collection development and processing, and capital outlay are the major activities of the Library, accounting for 31.25%, 17.90%, and 19.13% of total disbursements, respectively. Principal retirement and interest on the bonds accounted for 7.69% of the total expenses for 2016.

Total Versus Net Cost of Services

The statement of activities-modified cash basis shows the cost of program services and the charges for services, sales and grants associated with those services. Table 3 reflects the cost of program services and the net cost of those services after taking into account the program receipts. The net cost of program services must be supported by general receipts including tax receipts, investment earnings and unrestricted state entitlements.

Table 3

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Disbursements				
Library Services				
Public Service and Programs	\$2,228,686	\$2,099,225	\$2,167,155	\$2,030,051
Collection Development and Processing	1,276,800	1,276,800	1,348,943	1,348,943
Support Services				
Facilities Operation and Maintenance	679,767	679,767	722,515	722,515
Information Services	475,344	475,344	489,728	489,728
Business Administration	559,121	559,121	538,846	538,846
Capital Outlay	1,364,542	1,321,432	454,180	322,928
Debt Service				
Principal Retirement	422,125	422,125	372,840	372,840
Interest	126,048	126,048	121,903	121,903
Total Disbursements	<u>\$7,132,433</u>	<u>\$6,959,862</u>	<u>\$6,216,110</u>	<u>\$5,947,754</u>

The Library's reliance on general receipts is indicated by the net cost of services column reflecting the need for \$6.96 million of support as well as Table 2 on the preceding page demonstrating that general receipts comprise 96.99% of the Library's total receipts.

Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

THE LIBRARY'S FUNDS

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current year, the Library's governmental funds reported combined ending fund balances of \$3.74 million, a decrease of \$1,391,428 in comparison with the prior year. Approximately 54.36% of this amount (\$2.03 million) constitutes unassigned fund balance, which is available for spending at the Library's discretion. The remainder of fund balance is either nonspendable, restricted, assigned or committed to indicate that it is not available for new spending.

The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2016 and 2015.

	Fund Balance December 31, 2016	Fund Balance December 31, 2015	Increase (Decrease)
General	\$2,513,423	\$2,565,739	(\$52,316)
Building and Repair	527,417	692,956	(165,539)
Dalton Addition	39,613	1,065,432	(1,025,819)
Other Governmental	659,727	807,481	(147,754)
Total	\$3,740,180	\$5,131,608	(\$1,391,428)

The General Fund is the chief operating fund of the Library. At the end of the current year, unassigned fund balance of the General Fund was \$2.03 million, while total fund balance reached \$2.51 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund disbursements. Unassigned fund balance represents 41.03% of total general fund disbursements, while total fund balance represents 50.72% of that same amount.

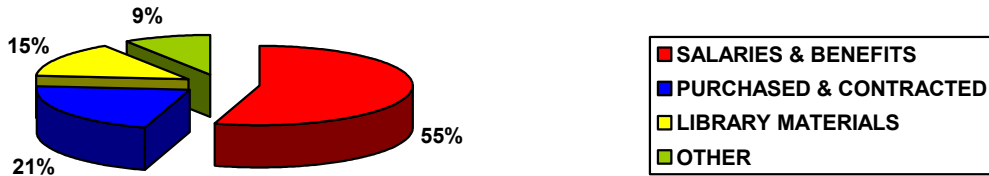
The tables and graphs that follow assist in illustrating the financial activities and corresponding increase in fund balance of the Library's General Fund.

General Fund Receipts Comparative Analysis

	2016 Amount	2015 Amount	Percentage Change
Revenues:			
General Taxes	\$1,755,797	\$1,768,333	(0.71%)
Intergovernmental	3,101,526	3,131,466	(0.96%)
Other	295,479	278,311	6.17%
Total	\$5,152,802	\$5,178,110	(0.49%)

As the graph on the following page illustrates, the largest portions of General Fund disbursements are for salaries and fringe benefits. The Library is a service entity and as such is labor intensive.

Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)



Expenditures by Object:	2016 Amount	2015 Amount	Dollar Change	Percent Change
Salaries & Benefits	\$2,844,426	\$2,778,376	\$66,050	2.38%
Purchased Services	1,112,041	1,181,145	(69,104)	-5.85%
Library Materials	761,540	778,332	(16,792)	-2.16%
Other	487,111	259,634	227,477	87.61%
Total	\$5,205,118	\$4,997,487	\$207,631	4.15%

GENERAL FUND BUDGET INFORMATION

The Library's budget is prepared in accordance with Ohio law and is based on the budgetary basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The Library's final General Fund estimated receipts were more than actual receipts by \$284,285, or 5.55%, and the final amended appropriation measure exceeded actual budgetary expenditures by \$445,333, or 8.62%. Appropriations were higher than actual disbursements due to conservative budgeting by the Library.

DEBT

On November 8, 2005, the voters of Wayne County approved the issuance of bonds for the purpose of constructing, furnishing, equipping and otherwise improving new library facilities and improving their sites. The \$6,000,000 Library Improvement Bonds were sold and issued in June 2006. In 2014, \$3,355,000 of these bonds were refunded and paid in full during 2016. In June 2015, Wayne County issued a loan in the amount of \$1,225,000. At December 31, 2016, the balance of total debt outstanding was \$4,325,035. Additional information regarding debt is reported in Note 7 to the basic financial statements.

CONTACTING THE LIBRARY

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it administers. If you have any questions about this report or need additional financial information, contact the Fiscal Officer, 304 N. Market Street, Wooster, Ohio 44691-1351.

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Wayne County Public Library
Statement of Net Position - Modified Cash Basis
December 31, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$996,430
Investments	2,743,750
<i>Total Assets</i>	\$3,740,180
 Net Position	
Restricted for:	
Permanent Fund:	
Non-expendable	\$24,200
Expendable	12,777
Capital Projects	39,613
Debt Service	249,133
Other Purposes	929
Unrestricted	3,413,528
<i>Total Net Position</i>	\$3,740,180

See accompanying notes to the basic financial statements.

Wayne County Public Library
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2016

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Capital Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$2,228,686	\$129,461	\$0	(\$2,099,225)
Collection Development and Processing	1,276,800	0	0	(1,276,800)
Support Services:				
Facilities Operation and Maintenance	679,767	0	0	(679,767)
Information Services	475,344	0	0	(475,344)
Business Administration	559,121	0	0	(559,121)
Capital Outlay	1,364,542	0	43,110	(1,321,432)
Debt Service:				
Principal Retirement	422,125	0	0	(422,125)
Interest	126,048	0	0	(126,048)
<i>Total Governmental Activities</i>	<u>\$7,132,433</u>	<u>\$129,461</u>	<u>\$43,110</u>	<u>(6,959,862)</u>
General Receipts				
Property Taxes Levied for General Purposes				1,755,797
Property Taxes Levied for Library Construction				380,330
Unrestricted Gifts and Contributions				50,079
Grants and Entitlements not Restricted to Specific Programs				3,253,320
Interest				31,037
Miscellaneous				97,871
<i>Total General Receipts</i>				<u>5,568,434</u>
Change in Net Position				(1,391,428)
<i>Net Position Beginning of Year</i>				<u>5,131,608</u>
<i>Net Position End of Year</i>				<u>\$3,740,180</u>

See accompanying notes to the basic financial statements.

Wayne County Public Library
Statement of Modified Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2016

	General	Building and Repair	Dalton Addition/ Renovation	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$765,131	\$19,623	\$9,613	\$202,063	\$996,430
Investments	1,748,292	507,794	30,000	457,664	2,743,750
<i>Total Assets</i>	<u>\$2,513,423</u>	<u>\$527,417</u>	<u>\$39,613</u>	<u>\$659,727</u>	<u>\$3,740,180</u>
Fund Balances					
Nonspendable	\$0	\$0	\$0	\$24,200	\$24,200
Restricted	0	0	39,613	262,839	302,452
Committed	246,817	527,417	0	372,688	1,146,922
Assigned	275,251	0	0	0	275,251
Unassigned	1,991,355	0	0	0	1,991,355
<i>Total Fund Balances</i>	<u>\$2,513,423</u>	<u>\$527,417</u>	<u>\$39,613</u>	<u>\$659,727</u>	<u>\$3,740,180</u>

See accompanying notes to the basic financial statements.

Wayne County Public Library
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2016

	General	Building and Repair	Dalton Addition/ Renovation	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$1,755,797	\$0	\$0	\$380,330	\$2,136,127
Intergovernmental	3,101,526	0	0	151,794	3,253,320
Patron Fines and Fees	129,461	0	0	0	129,461
Contributions, Gifts and Donations	50,079	0	37,520	5,590	93,189
Earnings on Investments	18,068	4,083	4,703	4,183	31,037
Miscellaneous	97,871	0	0	0	97,871
<i>Total Receipts</i>	<u>5,152,802</u>	<u>4,083</u>	<u>42,223</u>	<u>541,897</u>	<u>5,741,005</u>
Disbursements					
Library Services:					
Public Service and Programs	2,228,490	0	0	196	2,228,686
Collection Development and Processing	1,017,664	0	252,300	6,836	1,276,800
Support Services:					
Facilities Operation and Maintenance	668,356	0	0	11,411	679,767
Information Services	475,344	0	0	0	475,344
Business Administration	558,916	0	0	205	559,121
Capital Outlay	6,348	9,622	1,075,742	272,830	1,364,542
Debt Service:					
Principal Retirement	0	0	0	422,125	422,125
Interest	0	0	0	126,048	126,048
<i>Total Disbursements</i>	<u>4,955,118</u>	<u>9,622</u>	<u>1,328,042</u>	<u>839,651</u>	<u>7,132,433</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	197,684	(5,539)	(1,285,819)	(297,754)	(1,391,428)
Other Financing Sources (Uses)					
Transfers In	0	0	260,000	150,000	410,000
Transfers Out	(250,000)	(160,000)	0	0	(410,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(250,000)</u>	<u>(160,000)</u>	<u>260,000</u>	<u>150,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(52,316)	(165,539)	(1,025,819)	(147,754)	(1,391,428)
<i>Fund Balances Beginning of Year</i>	<u>2,565,739</u>	<u>692,956</u>	<u>1,065,432</u>	<u>807,481</u>	<u>5,131,608</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,513,423</u></u>	<u><u>\$527,417</u></u>	<u><u>\$39,613</u></u>	<u><u>\$659,727</u></u>	<u><u>\$3,740,180</u></u>

See accompanying notes to the basic financial statements.

Wayne County 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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$1,887,200	\$1,887,200	\$1,755,797	(\$131,403)
Intergovernmental	3,276,510	3,276,510	3,101,526	(174,984)
Patron Fines and Fees	140,742	140,742	129,461	(11,281)
Contributions, Gifts and Donations	25,000	25,000	20,000	(5,000)
Earnings on Investments	10,000	10,000	16,076	6,076
Miscellaneous	65,564	65,564	97,871	32,307
<i>Total Receipts</i>	5,405,016	5,405,016	5,120,731	(284,285)
Disbursements				
Library Services:				
Public Service and Programs	2,340,923	2,355,488	2,314,918	40,570
Collection Development and Processing	1,137,701	1,245,393	1,071,391	174,002
Support Services:				
Facilities Operation and Maintenance	753,812	781,516	679,483	102,033
Information Services	493,476	551,038	485,960	65,078
Business Administration	423,179	671,216	574,511	96,705
Capital Outlay	0	4,633	37,688	(33,055)
<i>Total Disbursements</i>	5,149,091	5,609,284	5,163,951	445,333
<i>Excess of Receipts Over (Under) Disbursements</i>	255,925	(204,268)	(43,220)	161,048
Other Financing Uses				
Transfers Out	(250,000)	(250,000)	(250,000)	0
<i>Total Other Financing Uses</i>	(250,000)	(250,000)	(250,000)	0
<i>Net Change in Fund Balance</i>	5,925	(454,268)	(293,220)	161,048
<i>Unencumbered Fund Balance Beginning of Year</i>	2,033,982	2,033,982	2,033,982	0
<i>Prior Year Encumbrances Appropriated</i>	206,714	206,714	206,714	0
<i>Unencumbered Fund Balance End of Year</i>	\$2,246,621	\$1,786,428	\$1,947,476	\$161,048

See accompanying notes to the basic financial statements.

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Wayne County Public Library was organized as a public library under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed under the laws of the State of Ohio. 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 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 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.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the Library have been prepared on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. The most significant of the Library's accounting principles are described below.

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net position-modified cash basis and the statement of activities-modified cash basis display information about the Library as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts and other non-exchange transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

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

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the Library are financed. The following are the Library's major governmental funds:

The *General Fund* is the library's primary operating fund. It accounts for all financial resources of the general government not accounted for and reported in another fund.

The *Building and Repair Fund* is used to account for resources and expenditures for the repair of Library buildings. The main source of revenue for the current year was transfers from the General Fund.

The *Dalton Addition/Renovation Fund* is used to account for resources and expenditures for the additions/renovations at the Dalton Branch. The main source of revenue for the current year was proceeds from a prior year loan; however, cash and in-kind donations were another major source of funding.

The other governmental funds of the Library account for grants and other resources and debt service whose use is restricted to a particular purpose.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Budgetary Process

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

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

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

While the Library is reporting financial position, results of operations, and changes in fund balances on the modified cash basis of accounting, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

One of the differences between the budget basis and modified cash basis is that in order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to an assignment of fund balance for governmental funds (modified cash basis).

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

The adjustment necessary to convert the results of operations for the year ended December 31, 2016, on the modified cash basis are as follows:

Net Change in Fund Balance	
	<u>General</u>
Modified Cash Basis	(\$52,316)
Perspective Difference:	
Activity of Funds Reclassified for	
Cash Reporting Purposes	(7,618)
Encumbrances	<u>(233,286)</u>
Budget Basis	<u>(\$293,220)</u>

The Board must annually approve the appropriation measure and subsequent amendments. Unencumbered appropriations do not lapse at year end and therefore are not re-appropriated in the following year. Budgetary expenditures (that is, disbursements plus encumbrances) may not exceed appropriations at the fund level, which is the Library's legal level of control.

E. Cash and Cash Equivalents

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

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

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

The Library's investment are in nonnegotiable certificates of deposit, negotiable certificates of deposit, and money market mutual funds.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund, the Building and Repair Fund, the Dalton Addition/Renovation Fund and other governmental funds during 2016 amount to \$18,068, \$4,083, \$4,703 and \$4,183, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Net Position

Net position represents the difference between assets and liabilities. However, under the modified cash basis of accounting no liabilities are recorded. Therefore, Equity in Pooled Cash and Cash Equivalents equal 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. Restricted for other purposes reflects balances in funds that account for grant monies.

The Library applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

No restricted net position is restricted by enabling legislation.

G. 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 classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Library Board. Those committed amounts cannot be used for any other purpose unless the Library Board removes or changes 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 policies of the Library Board. The Library Board may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

I. Accumulated Leave

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

J. 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 5 and 6, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Library's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Premiums on issuance of debt are recorded as receipts when received and debt issuance costs are recorded as disbursements when paid.

3. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits the Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by 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.

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

3. DEPOSITS AND INVESTMENTS (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

At year end, the Library had \$1,625 in undeposited cash on hand which is included as part of "*Equity in Pooled Cash and Cash Equivalents*" on the financial statements.

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits - Custodial credit risk for deposits is the risk that in the event of a 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, the carrying amount of the Library's deposits was \$994,805 and the bank balance was \$1,155,060. Of the bank balance, \$507,659 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

The Library does not have an investment policy addressing custodial credit risk for deposits 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 – The Library's investment policy is limited to complying with state statute. As of December 31, 2016, the Library had the following investments and maturities:

Investment Type	Cost Basis	Less Than 1 Year	1-2 Years
Negotiable Certificates of Deposit	\$2,742,000	\$2,592,000	\$150,000
Federated Treasury Obligations MMF	1,750	1,750	0
Total	\$2,743,750	\$2,593,750	\$150,000

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. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Library's investment policy limits investment portfolio maturities to five years or less.

Credit Risk – Standard and Poor's and Moody's has assigned an investment rating of AAAM to the Federated Treasury Obligations MMF. The Library's investments in individual marketable certificates of deposit are fully insured by the Federal Deposit Insurance Corporation.

The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

3. 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. All of the Library's investments are held in the name of the Library.

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."

Concentration of Credit Risk -The Library's investment policy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the Library at December 31, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>	<u>Cost Basis</u>	<u>% of Total</u>
Negotiable Certificates of Deposit	\$2,740,546	99.94%	\$2,742,000	99.94%
Federated Treasury Obligations MMF	1,750	0.06%	1,750	0.06%
Total	<u>\$2,742,296</u>	<u>100.0%</u>	<u>\$2,743,750</u>	<u>100.0%</u>

4. GRANTS-IN-AID AND TAX RECEIPTS

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 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.

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

4. GRANTS-IN-AID AND TAX RECEIPTS (Continued)

The full tax rate for all Library operations for the year ended December 31, 2016, was \$1.20 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 Property	\$2,066,057,160
Public Utility Personal Property	<u>108,221,630</u>
Total	<u><u>\$2,174,278,790</u></u>

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

5. 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 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):

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

5. DEFINED BENEFIT PENSION PLAN (Continued)

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.

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution to OPERS was \$272,558 for fiscal year 2016.

6. POSTEMPLOYMENT BENEFITS

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

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

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

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

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

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

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

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

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

6. 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 \$45,429, \$43,370, and \$42,210, respectively. The full amount has been contributed for all three years.

7. DEBT

In 2006 the Library issued Library Improvement Bonds in the amount of \$6,000,000 for the construction of a new library. During 2014, \$3,355,000 of these bonds were refunded.

On November 6, 2014, the Library issued \$3,355,000 of Library Improvement Refunding Bonds for the purpose of advance refunding a portion (\$3,355,000) of the Wayne County Public Library Improvement Bonds-Series 2006. The bonds were issued for an eleven year period with final maturity at December 1, 2025 and is being retired from the Debt Service Fund. This resulted in an aggregate difference in debt service payments of \$201,952 and a present value cash flow savings of \$179,811.

Included in the \$3,355,000 2014 Library Improvement Refunding Bonds issued was \$30,000 in capital appreciation bonds. These bonds will accrete to a maturity amount of \$370,000 due on December 1, 2017. In 2016, the accretion on the bonds was \$91,281 for a total accretion and bond value of \$163,268 at fiscal year-end.

The Library deposited \$3,706,878 with the refunding escrow agent to advance refund \$3,355,000 in debt. As of December 31, 2016, the refunded bonds were retired out of escrow on 12/1/16.

On June 1, 2015, the Library issued a loan in the amount of \$1,225,000 for the purpose of making additions to and renovating the Dalton Branch. The loan matures June 1, 2030 and is being paid from the Debt Service Fund.

A summary of bond transactions for the year ended December 31, 2016 follows:

	Interest Rate	Balance 12/31/15	Additions	Reductions	Balance 12/31/16	Due Within One Year
Governmental Activities:						
Library Improvement Bond 2006 Issue	4.379%	\$300,000	\$0	\$300,000	\$0	\$0
2014 Library Improvement Refunding Bonds	2.580%	3,225,000	0	55,000	3,170,000	0
Capital Appreciation Bonds	1.40%	30,000	0	0	30,000	30,000
Total 2014 Library Improvement Bonds		3,255,000	0	55,000	3,200,000	30,000
2015 Dalton Addition/Renovation Loan	2.90%	1,192,160	0	67,125	1,125,035	69,098
Total Debt		\$4,747,160	\$0	\$422,125	\$4,325,035	\$99,098

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

7. DEBT (Continued)

2014 Library Improvement Refunding Bonds					
Year Ending December 31	Refunding Bonds		Capital Appreciation Bonds		Total
	Principal	Interest	Principal	Interest	
2017	\$0	\$79,950	\$30,000	\$340,000	\$449,950
2018	365,000	79,950	0	0	444,950
2019	375,000	72,650	0	0	447,650
2020	380,000	65,150	0	0	445,150
2021	390,000	57,550	0	0	447,550
2021-2025	1,660,000	124,000	0	0	1,784,000
Total	\$3,170,000	\$479,250	\$30,000	\$340,000	\$4,019,250

2014 Dalton Loan			
Year Ending December 31	Principal	Interest	Total
2017	\$69,098	\$31,712	\$100,810
2018	71,128	29,682	100,810
2019	73,219	27,591	100,810
2020	75,370	25,440	100,810
2021	77,585	23,225	100,810
2022-2026	423,500	80,550	504,050
2027-2030	335,135	18,699	353,834
Total	\$1,125,035	\$236,899	\$1,361,934

8. LEASE OBLIGATIONS

The Library has entered into the following operating lease agreements:

Real Estate – The Library leases real estate located on East Buckeye Street in West Salem for a total cost of \$1,183 a month. The lease shall continue until terminated upon 90 days’ notice by either party to the other party.

Copier Leases – The Library leases copiers for the Operations Center. One for a cost of \$15,645 per year which expires in December of 2019 and another for a cost of \$7,164 per year which expires in March of 2018.

Postage Meter – The Library leases a postage meter for a total cost of \$312 for the year.

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

9. 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 the Cincinnati Insurance Company for various types of insurance coverage as follows:

Coverage	Limit
Commercial Property:	
Building	\$20,263,746
Personal Property	2,291,815
Automobile Liability:	
Bodily Injury (each occurrence)	1,000,000
Uninsured Motorists	1,000,000
Public Officials Liability	2,000,000
Commercial Umbrella Liability:	
Each Occurrence	1,000,000
General Aggregate	2,000,000
Employee Benefit Liability:	
Each Employee	1,000,000
Aggregate	3,000,000
Employers Liability Defense:	
Bodily Injury – Each Employee	1,000,000
Aggregate	1,000,000

Settled claims have not exceeded coverage in any of the last three years. The Library evaluated its insurance coverages and as a result, increased coverages for the current fiscal 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.

10. INTERFUND TRANSFERS

The Library uses interfund transfers to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

Interfund transfers during 2016 were as follows:

	Transfers In	Transfers Out
Major Funds:		
General	\$0	\$250,000
Building and Repair	0	160,000
Dalton Addition/Renovation	260,000	0
Nonmajor Funds:		
Vehicle Replacement	50,000	0
Rittman Construction	100,000	0
Total Nonmajor Funds	150,000	0
Totals	\$410,000	\$410,000

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

11. EMPLOYEE BENEFITS

A. Deferred Compensation Plan

Employees of the Library may elect to participate in the Ohio Public Employees deferred compensation plan. Under this program, employees elect to defer a portion of their pay. The deferred pay and any income earned on it are not subject to federal and state income taxation until actually received by the employee. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

B. Compensated Absences

For regular full-time employees, vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy credits vacation leave on a biweekly basis and allows the unused balance to be accumulated at levels which depend upon years of service. Library employees are paid for earned, unused vacation leave at the time of termination of employment.

Regular full-time employees are entitled to ten (10) hours of sick leave for each completed month of service. Unused sick leave may be accumulated without limit and carried over from year to year. Any retiring employee, who has worked for the Library for at least five (5) years, may be paid for unused sick leave in the amount of 25 percent of accrued sick leave not to exceed 240 hours. To receive payment, the employee's retirement must be authorized by OPERS.

12. 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 governmental funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Building and Repair	Dalton Addition	All Other Governmental	Total Governmental Funds
Nonspendable					
Endowments	\$0	\$0	\$0	\$24,200	\$24,200
Restricted for					
Permanent Expendable	0	0	0	12,777	12,777
Other Purposes	0	0	0	929	929
Capital Improvements	0	0	39,613	0	39,613
Debt Services Payments	0	0	0	249,133	249,133
Total Restricted	0	0	39,613	262,839	302,452
Committed to					
Capital Improvements	0	527,417	0	94,780	622,197
Technology	0	0	0	109,766	109,766
Vehicle Replacement	0	0	0	113,487	113,487
Other Purposes	246,817	0	0	54,655	301,472
Total Committed	246,817	527,417	0	372,688	1,146,922
Assigned to					
2017 Appropriations	41,965	0	0	0	41,965
Other Purposes	233,286	0	0	0	233,286
Total Assigned	275,251	0	0	0	275,251
Unassigned					
	1,991,355	0	0	0	1,991,355
Total Fund Balances	\$2,513,423	\$527,417	\$39,613	\$659,727	\$3,740,180

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

13. NEW ACCOUNTING PRINCIPLES

For the fiscal year ended December 31, 2016, the Library has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, GASB Statement No. 77, Tax Abatement Disclosures., and GASB Statement No. 79, Certain External Investment Pools and Pool Participants.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Library.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Library.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose the certain information about the agreements including brief descriptive information such as the tax being abated, the authority under and mechanism by which tax abatements are provided, eligibility criteria, provisions for recapturing abated taxes, the types of commitments made by tax abatement recipients, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Library as there were no tax abatements in effect that could have a significant effect on the Library.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Library.

14. COMMITMENTS

A. Encumbrances

The Library utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reported as assigned fund balance for subsequent-year expenditures. As of December 31, 2016, the Library's significant commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Outstanding Balance</u>
Major Funds:	
General Fund	\$ 233,286
Building and Repair	7,219
Dalton Addition/Renovation	133
Non-major Funds:	
Rittman Construction	6,089
Technology	36,321
Donation	<u>36,018</u>
Total	<u>\$319,066</u>

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

15. COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Dalton/Renovation Fund and the Vehicle Replacement Fund by \$40,893 and \$4,640, respectively.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Wayne County Public Library
Wayne County
304 North Market Street
Wooster, Ohio 44691

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County Public Library, Wayne County, (the Library) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated March 31, 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 opinion 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2016-001.


We also noted certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated March 31, 2017.

Entity's Response to Finding

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

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
March 31, 2017

WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY
SCHEDULE OF FINDINGS
December 31, 2016 and 2015

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2016-001 – Noncompliance

Expenditures Exceeding Appropriations

Ohio Admin Code Section 117-8-02 states the Library's legislative body shall adopt appropriation measures. These measures establish the legal level of control. The legal level of control is the level (e.g., fund, program or function, department, object level) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates.

Contrary to the Ohio Administrative Code, budgetary expenditures exceeded appropriation authority in the Dalton Addition/Renovation Fund and the Vehicle Replacement Fund by \$40,893 and \$4,640, respectively.

The Library should not expend funds unless there are appropriations available. The Fiscal Officer should closely monitor the Library's budgetary financial reports throughout the year so that budgetary expenditures do not exceed the appropriations at the legal level of control.

Management Response:

See Corrective Action Plan

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016**

The prior audit report, for the year ending December 31, 2015, reported no material citations or recommendations.

WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY

CORRECTIVE ACTION PLAN
December 31, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The Fiscal Officer will closely monitor the Library's budgetary financial reports throughout the year so that the budgetary expenditures do not exceed appropriations.	Immediately	Katherine Long, Fiscal Officer



Dave Yost • Auditor of State

WAYNE COUNTY PUBLIC LIBRARY

WAYNE 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
JUNE 13, 2017