



**Certified Public Accountants, A.C.**

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY  
Regular Audit  
For the Years Ended December 31, 2017 and 2016**

313 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

1310 Market St.,  
Suite 300  
Wheeling, WV 26003  
304.232.1358

749 Wheeling Ave.,  
Suite 300  
Cambridge, OH 43725  
740.435.3417

[www.perrycpas.com](http://www.perrycpas.com)





# Dave Yost • Auditor of State

Board of Trustees  
Reuben McMillan Free Library Association  
305 Wick Avenue  
Youngstown, OH 44503

We have reviewed the *Independent Auditor's Report* of the Reuben McMillan Free Library Association, Mahoning County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

August 31, 2018

**This page intentionally left blank.**

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY  
TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis For the Year Ended December 31, 2017 .....	3
Basic Financial Statements:	
Government-Wide Financial Statements 2017:	
Statement of Net Position – Modified Cash Basis.....	11
Statement of Activities – Modified Cash Basis.....	12
Fund Financial Statements 2017:	
Statement of Assets and Fund Balances – Modified Cash Basis - Governmental Funds.....	13
Statement of Receipts, Disbursements and Changes in Fund Balances – Modified Cash Basis - Governmental Funds.....	14
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual - Budget Basis – General Fund.....	15
Notes to the Basic Financial Statements For the Year Ended December 31, 2017 .....	16
Management's Discussion and Analysis For the Year Ended December 31, 2016 .....	33
Basic Financial Statements:	
Government-Wide Financial Statements 2016:	
Statement of Net Position – Modified Cash Basis.....	39
Statement of Activities – Modified Cash Basis.....	40
Fund Financial Statements 2016:	
Statement of Assets and Fund Balances – Modified Cash Basis - Governmental Funds.....	41
Statement of Receipts, Disbursements and Changes in Fund Balances – Modified Cash Basis - Governmental Funds.....	42
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis – General Fund.....	43
Notes to the Basic Financial Statements .....	44
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	60

**This page intentionally left blank.**



Certified Public Accountants, A.C.

[www.perrycpas.com](http://www.perrycpas.com)

## INDEPENDENT AUDITOR'S REPORT

May 9, 2018

Reuben McMillan Free Library Association  
Mahoning County  
305 Wick Avenue  
Youngstown, Ohio 44503

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 **Reuben McMillan Free Library Association**, Mahoning County, (the Library) as of and for the years ended December 31, 2017 and 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 opinions.

[www.perrycpas.com](http://www.perrycpas.com)  
...*"bringing more to the table"*

313 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

1310 Market Street, Suite 300  
Wheeling, WV 26003  
304.232.1358

749 Wheeling Ave., Suite 300  
Cambridge, OH 43725  
740.435.3417

**Opinion**

In our opinion, the financial statement 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 Reuben McMillan Free Library Association, Mahoning County, Ohio, as of December 31, 2017 and 2016, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the 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 in 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 May 9, 2018, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



**Perry and Associates**

Certified Public Accountants, A.C.  
Marietta, Ohio



**Reuben McMillan Free Library Association**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

The management's discussion and analysis of the Reuben McMillan Free Library Association's (the "Library") financial performance provides an overall review of the Library's modified cash basis financial activities for the fiscal year ended December 31, 2017. The intent of this discussion and analysis is to look at the Library's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Library's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- In total, net cash position of governmental activities increased \$1,285,604, which represents a 3.25% increase from fiscal year 2016. In order for the Library to continue its long history of being debt free, it follows a practice of saving for capital projects. As such, these monies are targeted to be used to carry out major capital projects as identified in long range strategic facility timelines. During 2017, construction continued on the Michael Kusalaba Branch Library which is expected to be completed in 2018.
- General cash receipts accounted for \$18,346,197 in cash receipts or 97.16% of total cash receipts. Program specific cash receipts in the form of charges for services and sales and grants and contributions accounted for \$536,698 in cash receipts or 2.84% of total cash receipts of \$18,882,895.
- The Library had \$17,597,291 in cash disbursements related to governmental activities; \$536,698 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$18,346,197 were adequate to provide for these programs.
- The Library's major governmental funds are the general fund, the building and repair fund, and the technology development fund. The general fund had \$18,257,268 in cash receipts and \$18,142,998 in cash disbursements and other financing uses. During fiscal year 2017, the general fund's fund cash balance increased \$114,270 from \$5,279,500 to \$5,393,770.
- The building and repair fund had \$4,525,838 in cash receipts and other financing sources and \$3,324,024 in cash disbursements. During fiscal year 2017, the building and repair fund's fund cash balance increased \$1,201,814 from \$33,543,430 to \$34,745,244.
- The technology development fund had \$161,459 in cash receipts and other financing sources and \$191,939 in cash disbursements. During fiscal year 2017, the technology development fund's fund cash balance decreased \$30,480 from \$694,056 to \$663,576.

**Using the Cash Basis Basic Financial Statements (BFS)**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Library's modified cash basis of accounting.

The statement of net position – modified cash basis and statement of activities – modified cash basis provides information about the activities of the whole Library, presenting an aggregate view of the Library's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Library's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Library, the general fund, building and repair fund, and technology development fund are reported as major funds.

**Reuben McMillan Free Library Association**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

**Reporting the Library as a Whole**

***Statement of Net Position and the Statement of Activities***

The statement of net position – modified cash basis and the statement of activities – modified cash basis answer the question, “How did the Library do financially during fiscal year 2017?” These statements include only net position using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the Library's net cash position and changes in net cash position on a cash basis. This change in net cash position is important because it tells the reader that, for the Library as a whole, the cash basis financial position of the Library has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Library's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services and not collected) and 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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

In the statement of net position – modified cash basis and statement of activities – modified cash basis, the governmental activities include the Library's programs and services, including library services and support services. These statements can be found on pages 11-12 of this report.

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

***Fund Financial Statements***

The analysis of the Library's major governmental funds begins on page 8. Fund financial reports provide detailed information about the Library's major funds. The Library uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Library's most significant funds. The Library's major governmental funds are the general fund, the building and repair fund, and the technology development fund.

***Governmental Funds***

The Library's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the Library's operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various Library programs. Since the Library is reporting on the modified cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The basic governmental fund financial statements can be found on pages 13-15 of this report.

**Reuben McMillan Free Library Association**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

**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. These notes to the basic financial statements can be found on pages 16-32 of this report.

**The Library as a Whole**

The table below provides a summary of the Library's net cash position at December 31, 2017 and December 31, 2016.

	<b>Net Cash Position</b>	
	Governmental Activities 2017	Governmental Activities 2016
	<u>                    </u>	<u>                    </u>
<b><u>Assets</u></b>		
Current assets	\$ 40,802,590	\$ 39,516,986
<b><u>Net Cash Position</u></b>		
Restricted	-	778,850
Unrestricted	<u>40,802,590</u>	<u>38,738,136</u>
Total net cash position	<u>\$ 40,802,590</u>	<u>\$ 39,516,986</u>

Total net cash position of the Library increased \$1,285,604, which represents a 3.25% increase from net cash position at December 31, 2016. The Library had no amount of net cash position representing resources that are subject to external restriction on how they may be used. The entire balance of net cash position of \$40,802,590 is unrestricted and may be used to meet the Library's ongoing obligations to its patrons and creditors.

**Reuben McMillan Free Library Association**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

The table below shows the change in net cash position for fiscal years 2017 and 2016.

	<b>Change in Net Cash Position</b>	
	Governmental Activities 2017	Governmental Activities 2016
	<u>2017</u>	<u>2016</u>
<b><u>Cash receipts:</u></b>		
Program cash receipts:		
Charges for services and sales	\$ 175,906	\$ 241,194
Operating grants and contributions	3,983	65,130
Capital grants and contributions	356,809	1,166,783
General cash receipts:		
Property taxes	8,670,188	8,578,869
Public Library Fund	8,087,414	8,054,927
Grants and entitlements	1,096,878	1,084,831
Earnings on investments	353,527	263,122
Miscellaneous	138,190	128,489
Total cash receipts	<u>\$ 18,882,895</u>	<u>\$ 19,583,345</u>
<b><u>Cash disbursements:</u></b>		
Current:		
Library Services:		
Public Services and Programs	\$ 7,362,014	\$ 7,158,049
Collection Development and Processing	2,507,986	2,551,274
Support services:		
Facilities Operation and Maintenance	1,908,686	1,887,227
Information Services	425,258	423,399
Business Administration	1,829,181	1,798,098
Capital Outlay	<u>3,564,166</u>	<u>1,526,419</u>
Total cash disbursements	<u>17,597,291</u>	<u>15,344,466</u>
Change in net cash position	1,285,604	4,238,879
Net cash position at beginning of year	<u>39,516,986</u>	<u>35,278,107</u>
Net cash position at end of year	<u>\$ 40,802,590</u>	<u>\$ 39,516,986</u>

**Governmental Activities**

Net cash position of the Library's governmental activities increased \$1,285,604. Total governmental cash disbursements of \$17,597,291 were offset by program cash receipts of \$536,698 and general cash receipts of \$18,346,197. Program cash receipts supported 3.05% of the total governmental cash disbursements. Capital grants and contributions decreased as the Library received most of the \$1.68 million donation from the Youngstown Foundation on behalf of The Michael Kusalaba Fund in 2016.

The primary sources of cash receipts for governmental activities are derived from property taxes and public library funds. These cash receipt sources represent 88.74% of total governmental cash receipts. Property taxes increased due to an increase in collections throughout the year. The Library receives property tax receipts from a 2.4 mill levy.

Receipts from the Public Library Fund (PLF) were \$8,087,414 for 2017. The PLF receipts for the period January 1, 2017 through June 30, 2017, were temporarily set at 1.7% of state general

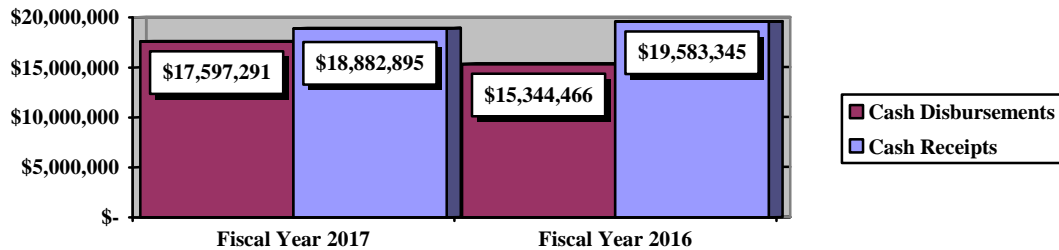
**Reuben McMillan Free Library Association**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

revenue fund (GRF) tax revenue less amounts to fund the Library for the Blind and the OPLIN Technology Fund. After June 30, 2017, this temporary percentage reverted back to 1.66% as set by prior legislation. Also affecting the PLF is the continuing over haul of the taxing structure in Ohio the impact of which is still unfolding. This will be pertinent to the PLF receipts given it is a based upon state GRF tax receipts.

The largest cash disbursement category of the Library is for Library services. Library services cash disbursements totaled \$9,870,000 or 56.09% of total governmental cash disbursements for fiscal year 2017.

The graph below presents the Library's governmental activities cash receipts and cash disbursements for fiscal years 2017 and 2016.

**Governmental Activities - Cash Receipts and Cash Disbursements**



The statement of activities – cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2017 and 2016. That is, it identifies the cost of these services supported by tax receipts, public library funds, and other general cash receipts.

**Governmental Activities**

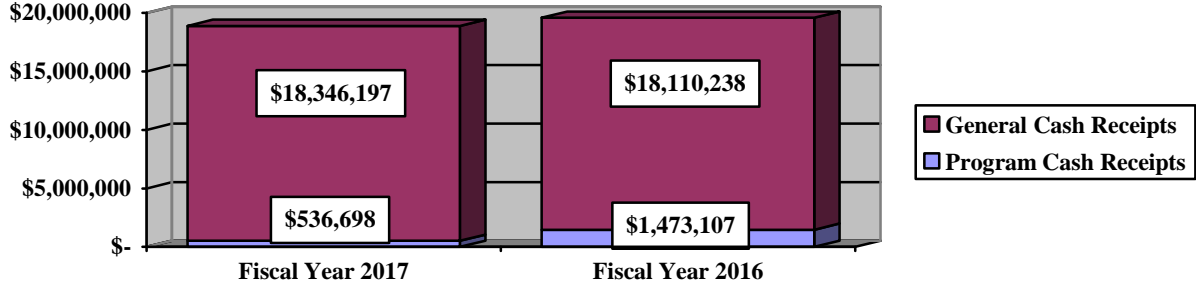
	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
<b>Cash disbursements:</b>				
Library Services:				
Public Services and Programs	\$ 7,362,014	\$ 7,182,125	\$ 7,158,049	\$ 6,851,725
Collection Development and Processing	2,507,986	2,507,986	2,551,274	2,551,274
Support services:				
Facilities Operation and Maintenance	1,908,686	1,908,686	1,887,227	1,887,227
Information Services	425,258	425,258	423,399	423,399
Business Administration	1,829,181	1,829,181	1,798,098	1,798,098
Capital Outlay	<u>3,564,166</u>	<u>3,207,357</u>	<u>1,526,419</u>	<u>359,636</u>
<b>Total</b>	<u>\$ 17,597,291</u>	<u>\$ 17,060,593</u>	<u>\$ 15,344,466</u>	<u>\$ 13,871,359</u>

**Reuben McMillan Free Library Association**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

The dependence upon taxes and other general cash receipts for governmental activities is apparent, as 96.95% of all Library cash disbursements are supported through taxes and other general cash receipts. The Library's taxpayers and public library funds are by far the primary support for the Library's patrons.

The graph below presents the Library's governmental activities cash receipts for fiscal years 2017 and 2016.

**Governmental Activities - General and Program Cash Receipts**



**The Library's Funds**

The Library's governmental funds reported a combined fund cash balance of \$40,802,590, which is greater than last year's total fund cash balance of \$39,516,986. The table below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2017 and December 31, 2016.

	Fund Cash Balance December 31, 2017	Fund Cash Balance December 31, 2016	Increase/ (Decrease)	Percentage Change
General	\$ 5,393,770	\$ 5,279,500	\$ 114,270	2.16 %
Building and repair	34,745,244	33,543,430	1,201,814	3.58 %
Technology development	663,576	694,056	(30,480)	(4.39) %
<b>Total</b>	<b>\$ 40,802,590</b>	<b>\$ 39,516,986</b>	<b>\$ 1,285,604</b>	<b>3.25 %</b>

**Reuben McMillan Free Library Association**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

**General Fund**

The Library's general fund cash balance increased \$114,270.

The table that follows assists in illustrating the financial activities and fund cash balance of the general fund for fiscal years 2017 and 2016.

	2017 Amount	2016 Amount	Increase/ (Decrease)	Percentage Change
<b><u>Cash receipts</u></b>				
Property and Other Local Taxes	\$ 8,670,188	\$ 8,578,869	\$ 91,319	1.06 %
Patron Fines and Fees	175,906	241,194	(65,288)	(27.07) %
Intergovernmental	1,096,878	1,100,630	(3,752)	(0.34) %
Earnings on Investments	84,709	44,895	39,814	88.68 %
Public Library	8,087,414	8,054,927	32,487	0.40 %
Miscellaneous	<u>142,173</u>	<u>128,489</u>	<u>13,684</u>	10.65 %
Total	<u>\$ 18,257,268</u>	<u>\$ 18,149,004</u>	<u>\$ 108,264</u>	0.60 %
<b><u>Cash disbursements</u></b>				
Library Services	\$ 9,870,000	\$ 9,709,323	\$ 160,677	1.65 %
Support Services	4,151,493	4,097,089	54,404	1.33 %
Capital Outlay	<u>59,835</u>	<u>169,152</u>	<u>(109,317)</u>	(64.63) %
Total	<u>\$ 14,081,328</u>	<u>\$ 13,975,564</u>	<u>\$ 105,764</u>	0.76 %

Overall cash receipts of the general fund increased \$108,264 or 0.60% during fiscal year 2017. Patron's fines and fees decreased due to less materials returned late, damaged or lost. Investment income increased due to increased monies to invest and improving interest rates. Other receipts increased \$13,684 or 10.65% due to an increase in reimbursements. All other cash receipt classifications remained comparable to the prior fiscal year.

Overall cash disbursements of the general fund increased \$105,764 or 0.76% during fiscal year 2017. Capital outlay decreased as the Library did not need to purchase as many vehicles compared to 2016. All other cash disbursement classifications remained comparable to the prior fiscal year.

**Building and Repair Fund**

The building and repair fund had \$4,525,838 in cash receipts and other financing sources and \$3,324,024 in cash disbursements. During fiscal year 2017, the building and repair fund's fund cash balance increased \$1,201,814 from \$33,543,430 to \$34,745,244, which was attributable to the \$3.9 million transfer made from the general fund during the fiscal year.

**Technology Development Fund**

The technology development fund had \$161,459 in cash receipts and other financing sources and \$191,939 in cash disbursements. During fiscal year 2017, the technology development fund's fund cash balance decreased \$30,480 from \$694,056 to \$663,576, which was attributable to increased technology disbursements which were primarily funded by a \$150,000 transfer made from the general fund during the fiscal year.

**Reuben McMillan Free Library Association**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*Unaudited*

**General Fund Budgeting Highlights**

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During fiscal year 2017 the budget was stable.

For the general fund, final budgetary basis receipts totaled \$18,257,268, which represents an increase of \$472,873 from original budget estimates of \$17,784,395. The actual budgetary basis receipts of \$18,257,268 match exactly to the final budget estimates.

The final budgetary basis disbursements and other financing uses totaled \$18,921,788, which were more than the original budget estimates of \$17,174,709. The actual budgetary basis disbursements and other financing uses of \$17,767,135 were \$154,653 less than the final budget estimates.

**Capital Assets and Debt Administration**

***Capital Assets***

The Library does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements. The Library had capital outlay cash disbursements of \$3,564,166 during fiscal year 2017 primarily related to the building of the new Michael Kusalaba branch.

***Debt Administration***

The Library has no debt outstanding.

**Current Financial Related Activities**

A major challenge is the uncertainty of the future of state funding along with the real estate reappraisals that occur every three years. These impact the receipts of PLF and property tax collections which accounted for about 90 percent of the Library's revenue stream for 2017.

The Library has a 2.4 mill levy that was approved by the voters in 2014 and which will remain in effect until calendar year 2019 (collection year 2020).

The "My Library 2020" strategic plan was approved by the board of trustees in 2014 and has helped to provide clarity for facility plans and flows from prior plans that incorporated community input. The Library will continue to move forward with initiatives to bring the plans to life.

**Contacting the Library's Financial Management**

The financial report is designed to provide our citizens and taxpayers with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mark J. Mrofchak, Chief Fiscal Officer, The Reuben McMillan Free Library Association (also known as The Public Library of Youngstown and Mahoning County), 305 Wick Avenue, Youngstown, Ohio 44503.



**Reuben McMillan Free Library Association**  
**Mahoning County**  
*Statement of Net Position - Modified Cash Basis*  
*December 31, 2017*

---

---

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 23,142,042
Investments	<u>17,660,548</u>
<i>Total Assets</i>	<u>40,802,590</u>
<b>Net Position</b>	
Unrestricted	<u>40,802,590</u>
<i>Total Net Position</i>	<u><u>\$ 40,802,590</u></u>

See accompanying notes to the basic financial statements.

**Reuben McMillan Free Library Association**  
**Mahoning County**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2017*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Current:					
Public Services and Programs	\$ 7,362,014	\$ 175,906	\$ 3,983	\$ -	\$ (7,182,125)
Collection Development and Processing	2,507,986	-	-	-	(2,507,986)
Support Services:					
Facilities Operation and Maintenance	1,908,686	-	-	-	(1,908,686)
Information Services	425,258	-	-	-	(425,258)
Business Administration	1,829,181	-	-	-	(1,829,181)
Capital Outlay	3,564,166	-	-	356,809	(3,207,357)
<b>Total Governmental Activities</b>	<b>\$ 17,597,291</b>	<b>\$ 175,906</b>	<b>3,983</b>	<b>\$ 356,809</b>	<b>(17,060,593)</b>
<b>General Receipts</b>					
					8,670,188
Property Taxes Levied for General Purposes					8,087,414
Public Library Fund					1,096,878
Grants/Entitlements not Restricted to Specific Programs					353,527
Earnings on Investments					138,190
Miscellaneous					<u>138,190</u>
Total General Receipts					<u>18,346,197</u>
Change in Net Position					1,285,604
Net Position Beginning of Year					<u>39,516,986</u>
Net Position End of Year					<u>\$ 40,802,590</u>

See accompanying notes to the basic financial statements.

**Reuben McMillan Free Library Association**  
**Mahoning County**  
*Statement of Assets and Fund Balances - Modified Cash Basis*  
*Governmental Funds*  
*December 31, 2017*

	General	Building & Repair Fund	Technology Development Fund	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 4,843,770	\$ 17,883,089	\$ 415,183	\$ 23,142,042
Investments	550,000	16,862,155	248,393	17,660,548
<i>Total Assets</i>	<u>\$ 5,393,770</u>	<u>\$ 34,745,244</u>	<u>\$ 663,576</u>	<u>\$ 40,802,590</u>
<b>Fund Balances</b>				
Committed	\$ -	\$ 432,975	\$ -	\$ 432,975
Assigned	640,153	34,312,269	663,576	35,615,998
Unassigned	4,753,617	-	-	4,753,617
<i>Total Fund Balances</i>	<u>\$ 5,393,770</u>	<u>\$ 34,745,244</u>	<u>\$ 663,576</u>	<u>\$ 40,802,590</u>

See accompanying notes to the basic financial statements.

**Reuben McMillan Free Library Association**  
**Mahoning County**

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

	General	Building & Repair Fund	Technology Development Fund	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 8,670,188	\$ -	\$ -	\$ 8,670,188
Public Library	8,087,414	-	-	8,087,414
Intergovernmental	1,096,878	-	11,459	1,108,337
Patron Fines and Fees	175,906	-	-	175,906
Contributions, Gifts and Donations	3,983	345,350	-	349,333
Earnings on Investments	84,709	268,818	-	353,527
Miscellaneous	138,190	-	-	138,190
<i>Total Receipts</i>	<u>18,257,268</u>	<u>614,168</u>	<u>11,459</u>	<u>18,882,895</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	7,362,014	-	-	7,362,014
Collection Development and Processing	2,507,986	-	-	2,507,986
Support Services:				
Facilities Operation and Maintenance	1,908,686	-	-	1,908,686
Information Services	425,258	-	-	425,258
Business Administration	1,817,549	11,387	245	1,829,181
Capital Outlay	59,835	3,312,637	191,694	3,564,166
<i>Total Disbursements</i>	<u>14,081,328</u>	<u>3,324,024</u>	<u>191,939</u>	<u>17,597,291</u>
Excess of receipts over (under) disbursements	4,175,940	(2,709,856)	(180,480)	1,285,604
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	3,911,670	150,000	4,061,670
Transfers Out	(4,061,670)	-	-	(4,061,670)
<i>Total Other Financing Sources (Uses)</i>	<u>(4,061,670)</u>	<u>3,911,670</u>	<u>150,000</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	114,270	1,201,814	(30,480)	1,285,604
<i>Fund Balances Beginning of Year</i>	<u>5,279,500</u>	<u>33,543,430</u>	<u>694,056</u>	<u>39,516,986</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,393,770</u>	<u>\$ 34,745,244</u>	<u>\$ 663,576</u>	<u>\$ 40,802,590</u>

See accompanying notes to the basic financial statements.

**Reuben McMillan Free Library Association**  
**Mahoning County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 8,413,946	\$ 8,670,188	\$ 8,670,188	\$ -
Public Library	7,961,654	8,087,414	8,087,414	-
Intergovernmental	1,103,231	1,096,878	1,096,878	-
Patron Fines and Fees	178,800	175,906	175,906	-
Contributions and Donations	-	3,983	3,983	-
Earnings on Investments	44,000	84,709	84,709	-
Miscellaneous	82,764	138,190	138,190	-
<i>Total Receipts</i>	<u>17,784,395</u>	<u>18,257,268</u>	<u>18,257,268</u>	<u>-</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	7,837,615	7,403,230	7,399,859	3,371
Collection Development and Processing	3,199,334	2,889,939	2,841,336	48,603
Support Services:				
Facilities Operation and Maintenance	2,347,193	2,123,942	2,044,543	79,399
Information Services	502,543	484,581	481,614	2,967
Business Administration	2,137,624	1,886,188	1,865,878	20,310
Capital Outlay	67,400	72,238	72,235	3
<i>Total Disbursements</i>	<u>16,091,709</u>	<u>14,860,118</u>	<u>14,705,465</u>	<u>154,653</u>
Excess of Receipts Over (Under) Disbursements	1,692,686	3,397,150	3,551,803	154,653
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(1,830,000)	(4,061,670)	(4,061,670)	-
Total Other Financing Sources (Uses)	(1,830,000)	(4,061,670)	(4,061,670)	-
<i>Net Change in Fund Balance</i>	(137,314)	(664,520)	(509,867)	154,653
<i>Unencumbered Fund Balance at Beginning of Year</i>	4,728,589	4,728,589	4,728,589	-
Prior Year Encumbrances Appropriated	550,911	550,911	550,911	-
<i>Unencumbered Fund Balance at End of Year</i>	<u>\$ 5,142,186</u>	<u>\$ 4,614,980</u>	<u>\$ 4,769,633</u>	<u>\$ 154,653</u>

See accompanying notes to the basic financial statements.

**REBUEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 - DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY**

The constitution and laws of the State of Ohio establish the rights and privileges of the Reuben McMillan Free Library Association, Mahoning County, (the Library) as a body corporate and politic. The Library appoints a fifteen-member Board of Trustees to govern the Library. Fifteen Trustees shall be elected by the Trustees, and shall serve three year terms with five being elected at each annual meeting. The Library provides the community with various educational and literary resources.

Reuben McMillan Free Library Association is a not-for-profit corporation which adopted its articles of incorporation in accordance with Ohio Revised Code Section 1713.28. The Library is funded primarily with public monies to provide free library services to the citizens of Mahoning County.

The Library was established October 27, 1880, under the name "The Youngstown Library Association" and officially changed its legal name in 1898 to "The Reuben McMillan Free Library Association". The Library is also known as "The Public Library of Youngstown & Mahoning County".

**Corporate Account**

The Reuben McMillan Free Library Association maintains an account designated as the Library Foundation Account which contains private monies donated to the Library which are not public funds and which are not included on these financial statements. The account is subject to a separate audit and the audit report may be obtained from the Chief Fiscal Officer of the Library.

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

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; or the Library is legally obligated or has otherwise assumed the responsibility to finance 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 approves the budget, the issuance of debt, or the levying of taxes. The Library has no component units.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**REBUEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**Basis of Presentation**

The Library's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-Wide Financial Statements** – The Statement of Net Position and the Statement of Activities display information about the Library as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The Library had no business-type activities during the year ended December 31, 2017.

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 presents a comparison between direct disbursements and program receipts for each program or function 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 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. The Library did not have any non-major governmental funds in 2017.

**Basis of Accounting**

The Library's financial statements are prepared using the modified 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 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.

**REBUEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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

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

Building and Repair Fund – The Building and Repair Fund accounts for and reports resources committed by the Board of Library Trustees specifically for major capital improvements.

Technology Development Fund - The Technology Development Fund accounts for and reports resources committed by the Board of Library Trustees specifically for major technology improvements.

**Budgetary Process**

The Board must annually approve appropriations measures and subsequent amendments. Encumbered appropriations do not lapse at year end. Budgetary expenditures (that is disbursements and encumbrances) may not exceed appropriations at the object level of control.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Chief Fiscal Officer. The amounts reported as the original 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.

**Cash and Investments**

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 "Cash and Cash Equivalents" and "Investments" on the financial statements. Investments with an original maturity 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 are reported as investments. The Library followed Ohio statutes for the allocation of interest earnings among the Library's funds.



**REBUEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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

During 2017, the Library invested in nonnegotiable certificates of deposit, Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, U.S. Treasury notes, and a U.S government money market mutual fund. Investments are reported at cost, except for the money market mutual fund. The Library's money market mutual fund investments are recorded at the amount reported by First National Bank and Farmers Trust on December 31, 2017.

Interest earnings are allocated to Library funds according to State statutes or grant requirements. Interest receipts credited to the General Fund during 2017 was \$84,709.

**Restricted Assets**

Assets 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 externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Library are reported as restricted. The Library had no restricted assets at December 31, 2017.

**Inventory**

The Library reports disbursements for inventories 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, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the modified cash basis of accounting the Library uses.

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

In 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 modified cash basis financial statements do not report liabilities for long-term obligations. 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.

**REBUEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**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 had no restricted net position at December 31, 2017. The Library's policy is to apply restricted resources first when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

**Fund Balance**

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

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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.

**REBUEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**Interfund Transactions**

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts.

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

**Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. The Library had no extraordinary items. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Library had no special items.

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES**

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

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

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

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

**REBUEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)

**NOTE 4 - 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 modified cash basis are as follows:

1. Outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (modified cash basis).
2. Outstanding year end advances are treated as an "other financing source or use" (budgetary basis) rather than as an interfund receivable or payable (modified cash basis).

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

	<u>General</u>
Cash Basis	\$ 5,393,770
Encumbrances	<u>(624,137)</u>
Budget Basis	<u>\$ 4,769,633</u>

**NOTE 5 – DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by deposits 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 which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, 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;

**REBUEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)

**NOTE 5 – DEPOSITS AND INVESTMENTS – (Continued)**

2. Bonds, notes, debentures, or any 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. Written repurchase agreements in the securities listed above provided that 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 that the term of the agreement must not exceed thirty days;
4. 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;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed 40 percent of the interim monies available for investment at any one time; and,

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

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Library and must be purchased with the expectation that it will be held to maturity.

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

**Cash on Hand**

At year-end, the Library had \$4,950 in undeposited cash on hand, which is included on the financial statements as part of "Equity in Pooled Cash and Cash Equivalents."

**Deposits**

As of December 31, 2017, the carrying amount of the Library's deposits was \$22,310,585 (including \$5,847,889 in nonnegotiable certificates of deposit) and the bank balance was \$23,256,923. Of the bank balance, \$12,990,330 was covered by Federal depository insurance while \$10,266,593 was exposed to custodial risk as discussed below.

**REBUEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)

**NOTE 5 – DEPOSITS AND INVESTMENTS – (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the Library’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Library. The Library has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

**Investments**

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>6 Months or Less</u>	<u>Investment Maturities</u>			
			<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>	<u>Greater than 24 Months</u>
FFCB	\$ 1,500,000	\$ -	\$ -	\$ -	\$ -	\$ 1,500,000
FHLB	2,799,940	-	-	501,505	496,945	1,801,490
FHLMC	1,525,000	500,000	275,000	-	750,000	-
FNMA	1,777,076	-	703,759	298,317	275,000	500,000
U.S Treasury Notes	10,058,532	2,351,464	1,249,830	897,574	2,296,588	3,263,076
U.S. Government money market mutual fund	826,507	826,507	-	-	-	-
<b>Total</b>	<b>\$ 18,487,055</b>	<b>\$ 3,677,971</b>	<b>\$ 2,228,589</b>	<b>\$ 1,697,396</b>	<b>\$ 3,818,533</b>	<b>\$ 7,064,566</b>

The weighted average maturity of investments is 1.84 years.

*Interest Rate Risk:* Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library does not have an investment policy beyond the requirements of State Statute. Ohio law addresses interest rate risk by requiring that the Library’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell securities on the open market prior to maturity.

*Credit Risk:* The federal agency securities and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. The U.S. government money market mutual fund was rated AAAM by Standard & Poor’s. The Library’s investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterpart to a transaction, the Library will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The federal agency securities and U.S. Treasury notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterpart’s trust department or agent but not in the Library’s name.

**REBUEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)

**NOTE 5 – DEPOSITS AND INVESTMENTS – (Continued)**

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.

<u>Investment Type</u>	<u>Carrying Value</u>	<u>% to Total</u>
FFCB	\$ 1,500,000	8.11
FHLB	2,799,940	15.15
FHLMC	1,525,000	8.25
FNMA	1,777,076	9.61
U.S. Treasury Notes	10,058,532	54.41
U.S. Government money market mutual fund	<u>826,507</u>	<u>4.47</u>
Total	<u>\$ 18,487,055</u>	<u>100.00</u>

**A. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of December 31, 2017:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 22,310,585
Investments	18,487,055
Cash on hand	<u>4,950</u>
Total	<u>\$ 40,802,590</u>
 <u>Cash and investments per statement of net position</u>	
Cash and cash equivalents	\$ 23,142,042
Investments	<u>17,660,548</u>
Total	<u>\$ 40,802,590</u>

**NOTE 6 - GRANTS-IN-AID AND PROPERTY TAX**

**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.

**REBUEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

**NOTE 6 - GRANTS-IN-AID AND PROPERTY TAX - (Continued)**

**Property Taxes**

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

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

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

2016 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2017, was \$2.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

	Assessed Value
Agricultural/residential and other real estate	\$ 3,789,016
Public utility personal	249,503
Total	\$ 4,038,519

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.

The Library has a 2.4 mill levy that was approved by the voters in 2014 and which will remain in effect until calendar year 2019 (collection year 2020).

**NOTE 7 - DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

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 Pension Plan.



**REBUEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)

**NOTE 7 - DEFINED BENEFIT PENSION PLAN - (Continued)**

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension 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 Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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

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 3.00% 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 2.25%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

**REBUEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)

**NOTE 7 - DEFINED BENEFIT PENSION PLAN - (Continued)**

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

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

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

The Library's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$848,106 for 2017.

**NOTE 8 - POSTRETIREMENT BENEFIT PLAN**

**Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

**REBUEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)

**NOTE 8 - POSTRETIREMENT BENEFIT PLAN - (Continued)**

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2017, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2017 was 1.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were \$65,239, \$118,944, and \$122,135, respectively.

**NOTE 9 - LEASE OBLIGATIONS**

The Library has entered into a lease agreement for a printing machine with an annual cost of \$16,315 with a lease expiring December 2019, a 3-D printer with an annual cost of \$3,380, an office copier lease with an annual cost of \$7,349 and a postage meter lease with a total annual cost of \$660.

**NOTE 10 – CONTINGENCIES**

The Library receives financial assistance in the form of grants from various agencies. The disbursement of funds received under these programs requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Library.

**REBUEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)

**NOTE 11 - RISK MANAGEMENT**

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

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>	
Cincinnati Insurance	Property - Blanket	\$ 62,827,000	
	Property - Blanket Contents	3,615,700	
	General Liability - per occurrence	500,000	
	General Aggregate Liability	1,000,000	
	Products - Completed Operations Aggregate Limit	1,000,000	
	Personal & Advertising Injury Limit	500,000	
	Inland Marine - Fine Arts	100,000	
	Electronic Data Processing Equipment	1,367,640	
	Signs	18,000	
	Valuable Papers	17,507,331	
	Crime - Employee Theft	200,000	
	Crime - Money and Securities - Inside	20,000	
	Crime - Outside premises	10,000	
	Commercial Umbrella Liability	2,000,000	
	Public Officials Bond - per official	25,000	
	Builders Risk	3,200,000	
	Data Defender	125,000	
	Travelers Insurance	Directors and Officers	1,000,000
		Employment Practice Liability	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past 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.

**REBUEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)

**NOTE 12 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

The Library has awarded contracts for the construction and landscaping of the new Michael Kusalaba branch library as follows:

Contractor	Awarded Amount	Balance Remaining at December 31, 2017
Ronald C. Fanero Architects	\$ 300,000	\$ -
D&G Mechanical Inc.	199,710	29,520
Brock Builders	2,697,700	144,738
JR Warren Electrical Contractors	471,632	150,432
Acme Brothers Plumbing	105,950	56,407
Executive Landscaping, Inc.	51,878	51,878
	<u>\$ 3,826,870</u>	<u>\$ 432,975</u>

**NOTE 13 - FUND BALANCES**

Fund balance is classified as 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 balance	General Fund	Building and Repair	Technology Development	Total Governmental Funds
Committed:				
New Michael Kusalaba branch	\$ -	\$ 432,975	\$ -	\$ 432,975
Assigned:				
Public services and programs	57,948	-	-	57,948
Collection development and processing	333,418	-	-	333,418
Facilities operations and maintenance	109,944	-	-	109,944
Information services	56,369	-	-	56,369
Business administration	54,058	-	-	54,058
Capital outlay	12,400	34,312,269	663,576	34,988,245
Subsequent year appropriations	16,016	-	-	16,016
Total assigned	<u>640,153</u>	<u>34,312,269</u>	<u>663,576</u>	<u>35,615,998</u>
Unassigned	<u>4,753,617</u>	-	-	<u>4,753,617</u>
Total fund balances	<u>\$ 5,393,770</u>	<u>\$ 34,745,244</u>	<u>\$ 663,576</u>	<u>\$ 40,802,590</u>

**REBUEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

**NOTE 14 - INTERFUND TRANSACTIONS**

Interfund transfers during fiscal year 2017 consisted of the following, as reported on the fund financial statements:

<u>Transfers from General Fund to:</u>	<u>Amount</u>
Building and Repair Fund	\$ 3,911,670
Technology Development Fund	<u>150,000</u>
Total	<u>\$ 4,061,670</u>

Transfers are used to (1) move cash receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

## **Reuben McMillan Free Library Association**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2016*

*Unaudited*

This discussion and analysis of the Reuben McMillan Free Library Association's (the "Library") financial performance provides an overview of the Library's financial activities for the year ended December 31, 2016 within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

### **Financial Highlights**

Key financial highlights are as follows:

- In 2016, net position of governmental activities increased \$4,238,879 or 12 percent. So that the Library may continue its long history of being debt free it follows a practice of saving for capital projects. As such, these monies are targeted to be used to carry out major capital projects as identified in long range strategic facility timelines. In 2016, the new Canfield Branch Library was opened and the renovation of the interior of the Boardman Branch Library was completed. Upcoming projects include a new facility that will replace the existing West Branch Library which will also house the Community Outreach/Pop-Up Library Services. The new building will be known as the Michael Kusalaba Branch Library with ground breaking taking place in the late summer of 2016. Also during 2016 a site selection process began to identify a location for a branch that would serve to replace and consolidate the aged Brownlee/Struthers/Campbell Branches. The long range plan also addresses a need for a major renovation of the Main Branch.
- During 2016 the Library received \$1,000,000 from the first of the five year donation pledge of \$1.68 million from the Youngstown Foundation on behalf of The Michael Kusalaba Fund. The donation was specified for a library on the west side of Youngstown and will be named in his memory. The donation represented the largest grant ever awarded in the 97-year history of the Foundation.
- The Library's general receipts consist primarily of the Public Library Fund (PLF) and other intergovernmental and property taxes.
  - Receipts from the PLF were \$8,054,927 for 2016 or 44 percent of total receipts for the year. The PLF receipts for the year of 2016 were temporarily set at 1.7% of state general revenue fund (GRF) tax revenue less amounts to fund the Library for the Blind and the OPLIN Technology Fund. This temporary percentage will continue through June 30, 2017 at which time the percentage will revert back to 1.66% as set by prior legislation. Also affecting the PLF is the continuing over haul of the taxing structure in Ohio the impact of which is still unfolding. This will be pertinent to the PLF receipts given it is a based upon state GRF tax receipts.
  - The Library received property tax receipts from a 2.4 mill levy which was combination and reduction of .4 mills from previously approved levies. For 2016 the amount received from these was \$8,578,869 or 47 percent of total receipts.
- The Library has two labor unions. The contract with the Clerical/Maintenance/Technical Service Employees International District 1199 covers the period of May 1, 2016 through April 30, 2020 while the contract with Public Librarians Association of Youngstown Service Employees International Union District 1199 is effective from April 1, 2016 through March 31, 2020. Both contracts were newly negotiated during 2016 and cover a four year period.

**Reuben McMillan Free Library Association**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Statement No. 34 as applicable to the Library's modified cash basis of accounting.

**Report Components**

The Statement of Net Position and the Statement of Activities provide information about the cash activities of the Library as a whole.

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

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a modified cash basis of accounting per the Auditor of State Bulletin 2005-002 and GASB Statement No. 34. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

**Reporting the Library as a Whole**

The Statement of Net Position and the Statement of Activities reflect how the Library did financially during 2016, within the limitations of modified cash basis accounting. The Statement of Net Position presents the cash balances and investments of the governmental activities of the Library at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash positions. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-financial resources for operations and the need for continued growth in the major local revenue sources such as property tax and PLF.



**Reuben McMillan Free Library Association**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

The Statement of Net Position and the Statement of Activities are comprised of governmental activities only:

Governmental activities - All of the Library's basic services are reported here. PLF support and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

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

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money is restricted as to how it may be used, and is being spent for the intended purpose. The funds of the Library are classified as governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund and Capital Projects Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**The Library as a Whole**

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

(Table 1)  
**Net Position**

	Governmental Activities	
	2016	2015
<b>Assets</b>		
Cash and Cash Equivalents	\$ 16,409,817	\$ 11,995,150
Investments	23,107,169	23,282,957
Total Assets	\$ 39,516,986	\$ 35,278,107
<b>Net Position</b>		
Restricted for:		
Capital Projects	\$ 778,850	\$ -
Unrestricted	38,738,136	35,278,107
Total Net Position	\$ 39,516,986	\$ 35,278,107

As mentioned previously, in 2016 net cash position increased \$4,238,879 or 12 percent while in 2015 the net position increased \$1,626,587 or 5 percent. The Building and Repair Funds are presently earmarked to assist in financing capital projects identified in the Library's Strategic plan which include:

- A major renovation to the Main Branch facility that saw its last renovation 20 years ago.
- A new branch and service model to replace the existing West Branch Library.

**Reuben McMillan Free Library Association**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

- Addressing issues with three of the urban area branches, the newest of which was built in 1977.

Table 2 reflects the change in net position in 2016. A comparative analysis of government-wide data has been presented for 2016 compared to 2015.

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

	Governmental Activities for 2016	Governmental Activities for 2015
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 241,194	\$ 237,866
Operating Grants and Contributions	65,130	-
Capital Grants and Contributions	1,166,783	164,149
<b>Total Program Receipts</b>	<b>1,473,107</b>	<b>402,015</b>
General Receipts:		
Property and Other Local Taxes	8,578,869	9,407,729
Public Library Fund	8,054,927	8,166,189
Grants and Entitlements not Restricted to Specific Programs	1,084,831	1,427,672
Earnings on Investments	263,122	168,158
Miscellaneous	128,489	116,559
<b>Total General Receipts</b>	<b>18,110,238</b>	<b>19,286,307</b>
<b>Total Receipts</b>	<b>\$ 19,583,345</b>	<b>\$ 19,688,322</b>
Disbursements:		
Library Services:		
Public Services and Programs	\$ 7,158,049	\$ 6,652,411
Collection Development and Processing	2,551,274	2,439,759
Support Services:		
Facilities Operation and Maintenance	1,887,227	1,988,761
Information Services	423,399	371,845
Business Administration	1,798,098	1,697,439
Capital Outlay	1,526,419	4,911,520
<b>Total Disbursements</b>	<b>15,344,466</b>	<b>18,061,735</b>
 Increase/(Decrease) in Net Position	 4,238,879	 1,626,587
 Net Position, Beginning of Year	 35,278,107	 33,651,520
<b>Net Position, End of Year</b>	<b>\$ 39,516,986</b>	<b>\$ 35,278,107</b>

Program receipts account for 7 percent of the total receipts for the Library in year one and 2 percent in year two. Although property tax valuations for Mahoning County experienced some growth the Library's collections were less in 2016 in comparison to 2015 as a result of the reduction of .4 mills impacting both the Property and Other Local Taxes Receipts and the Grants and Entitlements. These are two of the larger revenue streams for the Library and are approximately 49 percent of total revenue for 2016 and 55 percent for 2015. The next largest revenue item - Public Library Fund - amounted to 41 percent of total revenue for 2016 and 2015.

**Reuben McMillan Free Library Association**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

Disbursements for 2016 were decreased over 2015 due in part to newly negotiated contracts for both unions as well as health insurance decreases.

**Governmental Activities**

If you look at the Statement of Activities for 2016, you will see the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. In 2016, the major program disbursements for governmental activities are for: Public Service and Programs, Collection Development and Processing, Facilities, Operations, and Maintenance, Information Services, Business Administration, and Capital Outlay which account for 46.6 percent, 16.6 percent, 12.3 percent, 2.8 percent, 11.7 percent, and 9.9 percent respectively for 2016. The next column on the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service. The Net (Disbursements) Receipts column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)  
**Governmental Activities**

	Total Cost of Services 2016	Net Cost of Services 2016
Library Services:		
Public Services and Programs	\$7,158,049	(\$6,851,725)
Collection Development and Processing	2,551,274	(2,551,274)
Support Services:		
Facilities Operation and Maintenance	1,887,227	(1,887,227)
Information Services	423,399	(423,399)
Business Administration	1,798,098	(1,798,098)
Capital Outlay	1,526,419	(359,636)
Total Governmental Activities	\$15,344,466	(\$13,871,359)

The table above illustrates that over 90 percent of disbursements were supported through tax receipts, the PLF and other general revenues for 2016.

**The Library's Funds**

Total governmental funds had receipts of \$19,583,345 and disbursements of \$15,344,466 in 2016.

**General Fund Budgeting Highlights**

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During fiscal year 2016 the budget was stable.

The General Fund is the chief operating fund of the Library. At the end of 2016, the unassigned fund balance of the General Fund was \$4,728,589 while the total balance in the Fund was \$5,279,500. For 2016, the original budgeted receipts were \$17,903,813 while actual receipts were \$18,149,004.

**Reuben McMillan Free Library Association**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

**Capital Assets and Debt Administration**

**Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. Although the Library does track these items, they are not reflected as assets in the accompanying financial statements.

**Debt**

The Library has a long standing practice of saving for capital projects over a period of time and as such remains debt free.

**Current Issues**

A major challenge is the uncertainty of the future of state funding along with the real estate reappraisals that occur every three years. These impact the receipts of PLF and property tax collections which accounted for about 90 percent of the Library's revenue stream for 2016.

The Library has a 2.4 mill levy that was approved by the voters in 2014 and which will remain in effect until calendar year 2019 (collection year 2020).

The "My Library 2020" strategic plan was approved by the board of trustees in 2014 and has helped to provide clarity for facility plans and flows from prior plans and that incorporated community input. The Library will continue to move forward with initiatives to bring the plans to life.

**Contacting the Library's Financial Management**

The financial report is designed to provide our citizens and taxpayers with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mark J. Mrofchak, CPA, Chief Fiscal Officer, The Reuben McMillan Free Library Association (also known as "The Public Library of Youngstown and Mahoning County"), 305 Wick Avenue, Youngstown, Ohio 44503.

**Reuben McMillan Free Library Association**  
**Mahoning County**  
*Statement of Net Position - Modified Cash Basis*  
*December 31, 2016*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 16,409,817
Investments	23,107,169
<i>Total Assets</i>	<i>39,516,986</i>
<b>Net Position</b>	
Restricted for:	
Capital projects	778,850
Unrestricted	38,738,136
<i>Total Net Position</i>	<i>\$ 39,516,986</i>

See accompanying notes to the basic financial statements.

**Reuben McMillan Free Library Association**  
**Mahoning County**  
*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	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Current:					
Public Services and Programs	\$ 7,158,049	\$ 241,194	\$ 65,130	\$ -	\$ (6,851,725)
Collection Development and Processing	2,551,274	-	-	-	(2,551,274)
Support Services:					
Facilities Operation and Maintenance	1,887,227	-	-	-	(1,887,227)
Information Services	423,399	-	-	-	(423,399)
Business Administration	1,798,098	-	-	-	(1,798,098)
Capital Outlay	1,526,419	-	-	1,166,783	(359,636)
<i>Total Governmental Activities</i>	<u>\$ 15,344,466</u>	<u>\$ 241,194</u>	<u>\$ 65,130</u>	<u>\$ 1,166,783</u>	<u>(13,871,359)</u>
<b>General Receipts</b>					
					8,578,869
Property Taxes Levied for General Purposes					8,054,927
Public Library Fund					1,084,831
Grants/Entitlements not Restricted to Specific Programs					263,122
Earnings on Investments					128,489
Miscellaneous					
Total General Receipts					<u>18,110,238</u>
Change in net position					4,238,879
<i>Net Position Beginning of Year</i>					<u>35,278,107</u>
<i>Net Position End of Year</i>					<u>\$ 39,516,986</u>

See accompanying notes to the basic financial statements.

**Reuben McMillan Free Library Association**  
**Mahoning County**  
*Statement of Assets and Fund Balances - Modified Cash Basis*  
*Governmental Funds*  
*December 31, 2016*

	General	Building & Repair Fund	Technology Development Fund	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,977,232	\$ 11,738,529	\$ 694,056	\$ 16,409,817
Investments	1,302,268	21,804,901	-	23,107,169
<i>Total Assets</i>	<u>\$ 5,279,500</u>	<u>\$ 33,543,430</u>	<u>\$ 694,056</u>	<u>\$ 39,516,986</u>
<b>Fund Balances</b>				
Restricted	\$ -	\$ 778,850	\$ -	\$ 778,850
Committed	-	3,519,539	-	3,519,539
Assigned	550,911	29,245,041	694,056	30,490,008
Unassigned	4,728,589	-	-	4,728,589
<i>Total Fund Balances</i>	<u>\$ 5,279,500</u>	<u>\$ 33,543,430</u>	<u>\$ 694,056</u>	<u>\$ 39,516,986</u>

See accompanying notes to the basic financial statements.

**Reuben McMillan Free Library Association  
Mahoning County**

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

	General	Building & Repair Fund	Technology Development Fund	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 8,578,869	\$ -	\$ -	\$ 8,578,869
Public Library	8,054,927	-	-	8,054,927
Intergovernmental	1,100,630	-	49,331	1,149,961
Patron Fines and Fees	241,194	-	-	241,194
Contributions, Gifts and Donations	-	1,166,783	-	1,166,783
Earnings on Investments	44,895	216,861	1,366	263,122
Miscellaneous	128,489	-	-	128,489
<i>Total Receipts</i>	<u>18,149,004</u>	<u>1,383,644</u>	<u>50,697</u>	<u>19,583,345</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	7,158,049	-	-	7,158,049
Collection Development and Processing	2,551,274	-	-	2,551,274
Support Services:				
Facilities Operation and Maintenance	1,887,227	-	-	1,887,227
Information Services	423,399	-	-	423,399
Business Administration	1,786,463	11,365	270	1,798,098
Capital Outlay	169,152	1,158,815	198,452	1,526,419
<i>Total Disbursements</i>	<u>13,975,564</u>	<u>1,170,180</u>	<u>198,722</u>	<u>15,344,466</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	4,173,440	213,464	(148,025)	4,238,879
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	3,717,550	60,000	3,777,550
Transfers Out	(3,777,550)	-	-	(3,777,550)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,777,550)</u>	<u>3,717,550</u>	<u>60,000</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	395,890	3,931,014	(88,025)	4,238,879
<i>Fund Balances Beginning of Year</i>	<u>4,883,610</u>	<u>29,612,416</u>	<u>782,081</u>	<u>35,278,107</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,279,500</u>	<u>\$ 33,543,430</u>	<u>\$ 694,056</u>	<u>\$ 39,516,986</u>

See accompanying notes to the basic financial statements.



**Reuben McMillan Free Library Association**  
**Mahoning County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2016*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 9,422,438	\$ 8,578,869	\$ 8,578,869	\$ -
Public Library	8,108,920	8,054,927	8,054,927	-
Intergovernmental	50,000	1,100,630	1,100,630	-
Patron Fines and Fees	205,200	241,194	241,194	-
Earnings on Investments	33,000	44,895	44,895	-
Miscellaneous	84,255	128,489	128,489	-
<i>Total Receipts</i>	<u>17,903,813</u>	<u>18,149,004</u>	<u>18,149,004</u>	<u>-</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	7,401,550	7,193,338	7,189,539	3,799
Collection Development and Processing	3,084,204	2,804,402	2,771,460	32,942
Support Services:				
Facilities Operation and Maintenance	2,344,183	2,114,445	2,072,400	42,045
Information Services	475,321	469,111	468,354	757
Business Administration	2,018,023	1,864,635	1,848,170	16,465
Capital Outlay	160,000	176,552	176,552	-
<i>Total Disbursements</i>	<u>15,483,281</u>	<u>14,622,483</u>	<u>14,526,475</u>	<u>96,008</u>
Excess of Receipts Over (Under) Disbursements	2,420,532	3,526,521	3,622,529	96,008
<b>Other financing sources (uses)</b>				
Transfers Out	(2,289,000)	(3,777,550)	(3,777,550)	-
Total Other Financing Sources (Uses)	<u>(2,289,000)</u>	<u>(3,777,550)</u>	<u>(3,777,550)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	131,532	(251,029)	(155,021)	96,008
<i>Unencumbered Fund Balance at Beginning of Year</i>	4,445,961	4,445,961	4,445,961	-
Prior Year Encumbrances Appropriated	437,649	437,649	437,649	-
<i>Unencumbered Fund Balance at End of Year</i>	<u>\$ 5,015,142</u>	<u>\$ 4,632,581</u>	<u>\$ 4,728,589</u>	<u>\$ 96,008</u>

See accompanying notes to the basic financial statements.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 1 - DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY**

The constitution and laws of the State of Ohio establish the rights and privileges of the Reuben McMillan Free Library Association, Mahoning County, (the "Library") as a body corporate and politic. The Library appoints a seventeen-member Board of Trustees to govern the Library. Fifteen Trustees shall be elected by the Trustees, and shall serve three year terms with five being elected at each annual meeting. The Library provides the community with various educational and literary resources.

Reuben McMillan Free Library Association is a not-for-profit corporation which adopted its articles of incorporation in accordance with Ohio Revised Code Section 1713.28. The Library is funded primarily with public monies to provide free library services to the citizens of Mahoning County.

The Library was established October 27, 1880, under the name "The Youngstown Library Association" and officially changed its legal name in 1898 to "The Reuben McMillan Free Library Association". The Library is also known as "The Public Library of Youngstown & Mahoning County".

**Corporate Account**

The Reuben McMillan Free Library Association maintains an account designated as the Library Foundation Account which contains private monies donated to the Library which are not public funds and which are not included on these financial statements. The account is subject to a separate audit and the audit report may be obtained from the Chief Fiscal Officer of the Library.

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

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; or the Library is legally obligated or has otherwise assumed the responsibility to finance 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 approves the budget, the issuance of debt, or the levying of taxes. The Library has no component units.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Basis of Presentation**

The Library's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION**  
**MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Basis of Presentation (Continued)**

**Government-Wide Financial Statements** – The Statement of Net Position and the Statement of Activities display information about the Library as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The Library had no business-type activities during the year ended December 31, 2016.

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 presents a comparison between direct disbursements and program receipts for each program or function 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 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. The Library did not have any non-major funds.

**Fund Accounting**

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

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

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

Building and Repair Fund – The Building and Repair Fund accounts for and reports resources committed by the Board of Library Trustees specifically for major capital improvements.

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

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION**  
**MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Fund Accounting (Continued)**

**Basis of Accounting**

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

As a result of the use of this 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 liabilities and the related expenses) are not recorded in these financial statements.

**Budgetary Process**

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

**Cash and Cash Equivalents**

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

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

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents (Continued)**

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 nonnegotiable certificates of deposit, federal agency securities, U.S. Treasury notes and bills, and money market mutual funds. Investments are reported at cost, except for the money market mutual fund. The Library's money market mutual fund investments are recorded at the amount reported by First National Bank and Farmers Trust on December 31, 2016.

Interest earnings are allocated to Library funds according to State statutes or grant requirements. Interest receipts credited to the General Fund during 2016 was \$44,895.

**Restricted Assets**

Assets 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 externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Library are reported as restricted. The Library has no unclaimed monies.

**Inventory**

The Library reports disbursements for inventories 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 modified 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 modified cash basis financial statements do not report liabilities for long-term obligations. 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.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**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. Net position restricted for other purposes include resources restricted for the construction of a new branch on the west side of Youngstown to be known as the Michael Kusalaba branch.

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

**Fund Balance**

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

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Fund Balance (Continued)**

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.

**Internal Activity**

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts.

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

**Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. The Library had no extraordinary items. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Library had no special items.

**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 modified cash basis are as follows:

1. Outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (modified cash basis).
2. Outstanding year end advances are treated as an “other financing source or use” (budgetary basis) rather than as an interfund receivable or payable (modified cash basis).

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

		General
Cash Basis	\$	5,279,500
Encumbrances		(550,911)
Budget Basis	\$	4,728,589

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the 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 deposits 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 may be deposited or invested in the following securities:

1. United States Treasury bill, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in 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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;



**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION**  
**MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

**NOTE 4 – DEPOSITS AND INVESTMENTS - (Continued)**

5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. 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
7. 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. Payment for investments may be made only upon delivery of the securities representing the investments to the fiscal officer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Library had \$4,950 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, \$10,221,647 of the Library's bank balance of \$10,471,672 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all 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 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.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

**NOTE 4 – DEPOSITS AND INVESTMENTS - (Continued)**

**Investments**

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

Investment Type	Cost Basis	Maturity
Certificates of Deposit/CDARs	\$ 5,810,788	Less than four years
Federal Home Loan Bank	3,218,464	Less than five years
Federal Home Loan Mortgage Corp	3,805,675	Less than three years
Money Market Mutual Funds	11,004,113	Less than one year
U.S. Treasury Note	10,272,242	Less than five years
	<u>\$ 34,111,281</u>	

*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 does not have an investment policy beyond the requirements of State Statute. Ohio law addresses interest rate risk by requiring that the Library’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell securities on the open market prior to maturity.

*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 investment or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation Notes, the Federal Home Loan Bank Notes, and U.S. Treasury notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the Library’s name.

The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

*Concentration of Credit Risk:* The Library places no limit on the amount it may invest in any one issuer. The following investments represent five percent or more of total investments as of December 31, 2016:

Investment Issuer	Percentage of Investments
Federal Home Loan Bank	9.44%
Federal Home Loan Mortgage Corp	11.16%
Money Market Mutual Funds	32.26%
U.S. Treasury Notes	30.11%

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

**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. 2015 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.

The full tax rate for all Library operations for the year ended December 31, 2016, was \$2.40 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	\$3,792,837
Public Utility Personal Property	234,046
<b>Total</b>	<b>\$4,026,883</b>

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.

In 2014 the library went back on the ballot and passed a five year 1.8 renewal levy with a .6 additional for a total of 2.4 mills to start with tax year 2015 and collection year 2016.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

**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
Cincinnati Insurance	Property - Blanket	\$62,827,000
	Property - Blanket Contents	\$3,612,300
	General Liability - per occurrence	\$500,000
	General Aggregate Liability	\$1,000,000
	Products - Completed Operations Aggregate Limit	\$1,000,000
	Personal & Advertising Injury Limit	\$500,000
	Inland Marine - Fine Arts	\$100,000
	Electronic Data Processing Equipment	\$1,365,900
	Signs	\$18,000
	Valuable Papers	\$17,433,763
	Crime - Money and Securities - Inside	\$20,000
	Crime - Outside premises	\$10,000
	Commercial Umbrella Liability	\$2,000,000
	Public Officials Bond - per official	\$25,000
	Builders Risk	\$3,200,000
Travelers Insurance	Directors and Officers	\$1,000,000
	Employment Practice Liability	\$1,000,000

Settled claims have not exceeded this commercial coverage in any of the past 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.

**NOTE 7 - DEFINED BENEFIT PENSION PLAN**

***Ohio Public Employees Retirement System***

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.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN - (Continued)**

***Ohio Public Employees Retirement System (Continued)***

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):

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

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

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

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

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

**NOTE 7 - DEFINED BENEFIT PENSION PLAN - (Continued)**

***Ohio Public Employees Retirement System (Continued)***

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

	State and Local
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2016 Actual Contribution Rates</b>	
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 \$832,943 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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION**  
**MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

**NOTE 8 - POSTEMPLOYMENT BENEFITS - (Continued)**

***Ohio Public Employees Retirement System (Continued)***

Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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. Please see the Plan Statement in the OPERS 2015 CAFR for details.

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 OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.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 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% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016.

As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

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 \$118,944, \$122,135, and \$120,742, respectively. The full amount has been contributed for all three years.

**NOTE 9 - LEASE OBLIGATIONS**

The Library has entered into a lease agreement for equipment under noncancelable leases. This includes a copier for the Administrative offices with an annual cost of \$5,568 that expires in May of 2017, a printing machine with an annual cost of \$13,497 with a lease expiring December 2019, 3-D printers with an annual cost of \$3,000 and a postage meter lease with a total annual cost of \$525.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

**NOTE 10 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

The Library awarded contracts for the construction of the new Michael Kusalaba branch library during 2016 as follows:

<u>Contractor</u>	<u>Awarded Amount</u>	<u>Balance Remaining as of December 31, 2016</u>
Ronald C. Faniro Architects	\$300,000	\$75,000
D & G Mechanical Inc.	199,710	199,710
Brock Builders Inc.	2,667,317	2,667,317
JR Warren Electrical Contractors	471,632	471,632
Acme Brothers Plumbing	105,950	105,950
Total	<u>\$3,744,609</u>	<u>\$3,519,609</u>

**NOTE 11 – CONTINGENT LIABILITIES**

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

**NOTE 12 - FUND BALANCES**

Fund balance is classified as 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 are presented below:

<u>Fund balance</u>	<u>General Fund</u>	<u>Building and Repair</u>	<u>Technology Development</u>	<u>Total Governmental Funds</u>
Restricted:				
New Michael Kusalaba Branch	-	778,850	-	778,850
Total restricted	-	778,850	-	778,850
Committed:				
New Michael Kusalaba branch	\$ -	\$ 3,519,539	\$ -	\$ 3,519,539
Assigned:				
Operating Expenses	550,911	-	-	550,911
Capital Projects	-	29,245,041	694,056	29,939,097
Total assigned	550,911	29,245,041	694,056	30,490,008
Unassigned	4,728,589	-	-	4,728,589
Total fund balances	<u>\$ 5,279,500</u>	<u>\$ 33,543,430</u>	<u>\$ 694,056</u>	<u>\$ 39,516,986</u>



**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

**NOTE 13 – INTERFUND TRANSACTIONS**

During 2016, the following transfers were made:

<u>Transfers from General Fund to:</u>	<u>Amount</u>
Building and Repair Fund	\$ 3,717,550
Technology Development Fund	<u>60,000</u>
Total	<u>\$ 3,777,550</u>

Transfers are used to (1) move cash receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

**This page intentionally left blank.**



Certified Public Accountants, A.C.

[www.perrycpas.com](http://www.perrycpas.com)

313 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

1310 Market Street, Suite 300  
Wheeling, WV 26003  
304.232.1358

749 Wheeling Ave., Suite 300  
Cambridge, OH 43725  
740.435.3417

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

May 9, 2018

Reuben McMillan Free Library Association  
Mahoning County  
305 Wick Avenue  
Youngstown, Ohio 44503

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United State and the Comptroller General of the United States' *Government Auditing Standards*, the modified cash-basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **Reuben McMillan Free Library Association**, Mahoning County, (the Library) as of and for the years ended December 31, 2017 and 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 May 9, 2018, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

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

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

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

[www.perrycpas.com](http://www.perrycpas.com)  
...*"bringing more to the table"*

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations  
Members: American Institute of Certified Public Accountants  
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

***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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



# Dave Yost • Auditor of State

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION**

**MAHONING 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  
SEPTEMBER 13, 2018**