

***STOW-MUNROE FALLS PUBLIC LIBRARY***

***SUMMIT COUNTY***

Audit Report

For the Years Ended December 31, 2017 and 2016







# Dave Yost • Auditor of State

Board of Trustees  
Stow-Munroe Falls Public Library  
3512 Darrow Road  
Stow, Ohio 44224

We have reviewed the *Independent Accountants' Report on Applying Agreed-Upon Procedures* of the Stow-Munroe Falls Public Library, Summit County, prepared by Charles E. Harris & Associates, Inc., for the 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 Stow-Munroe Falls Public Library is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

July 23, 2018

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**Stow-Munroe Falls Public Library**  
**Summit County**  
*For the Years Ended December 31, 2017 and 2016*

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**INDEPENDENT AUDITOR'S REPORT**

Stow-Munroe Falls Public Library  
Summit County  
3512 Darrow Road  
Stow, Ohio 44224

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying cash basis financial statements of the governmental activities and each major fund of the Stow-Munroe Falls Public Library, Summit 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 the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2. This responsibility includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and each major fund of the Stow-Munroe Falls Public Library, Summit County, as of December 31, 2017 and 2016, and the respective changes in cash basis financial position and the budgetary comparison for the General fund thereof for the years then ended in accordance with the cash basis of accounting described in Note 2.

***Basis of Accounting***

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. Our opinions are not modified with respect to this matter.

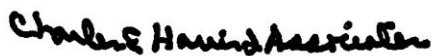
***Other Matter***

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Library's basic financial statements. The Management's Discussion & Analysis as listed in the table of contents, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2018, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
May 15, 2018



Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017

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This discussion and analysis of the Stow-Munroe Falls Public Library (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2017, within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

**Highlights**

Key highlights for 2017 are as follows:

Net position of governmental activities decreased \$279,617 or 19%, from the prior year.

As of December 31, 2017, the fund balance in the Library's General Fund was \$1,141,757, a decrease of 20% from the previous year.

The Library's general receipts are primarily property taxes and public library funds ("PLF"). These receipts represent respectively 52% (property taxes) and 36% (PLF) of the total cash received for governmental activities during the year.

The Stow-Munroe Falls Library Board of Trustees approved the following:

1. Postpone Parking Lot Project
2. Approve Geopfert Company Proposal
3. Declaring an Urgent Necessity – For the Sector C Roof Replacement
4. Reflection of Name Change – Reference Services to Information Services
5. Award Roofing Project to Terik Roofing, Inc.
6. Job Classifications
7. Letter of Intent to Purchase Real Property
8. Offer to Purchase Property

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's 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 Library adopts an annual appropriated budget. A budgetary comparison report demonstrates compliance with this budget.

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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 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 2017, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances 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. 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 position. Keeping in mind the limitations of the 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-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes and Public Library Funds (PLF).

In the statement of net position and the statement of activities the Library reports all financial activity as governmental activities. This activity includes all the Library's basic activities, including library services and capital outlay. 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 that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are reported in one category: governmental.

Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017

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Governmental Funds – The Library’s activities are reported in 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 Library’s major governmental funds are the General Fund and the Building Fund. The programs reported in governmental funds are related to those reported in the governmental activities section of the entity-wide statements, therefore there are no reconciliations presented with the governmental fund financial statements.

**The Library as a Whole**

Table 1 provides a summary of the Library’s net position for 2017 on a cash basis compared to 2016.

(Table 1)  
Net Position

<b>Assets</b>	Governmental Activities	
	2017	2016
Cash and Cash Equivalents	\$ 1,192,280	\$ 1,471,897
<b>Net Position</b>		
Unrestricted	1,192,280	1,471,897
Total Net Position	\$ 1,192,280	\$ 1,471,897

As mentioned previously, net position of governmental activities decreased \$279,617 or 19% during 2017. The primary reasons contributing to the change in cash balances are as follows:

The urgent necessity to replace Sector C Roof and the four (4) HVAC units located on the roof. The Board of Library Trustees discovered that the Sector C Roof of the Stow-Munroe Falls Public Library was deteriorated and at risk of catastrophic failure; therefore the replacement of the Sector C Roof had to commence as soon as possible in order to prevent imminent water damage to the building.

Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017

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Table 2 reflects the changes in net position in 2017 compared to 2016.

(Table 2)  
Changes in Net Position

	Governmental Activities 2017	Governmental Activities 2016
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 119,666	\$ 125,833
Total Program Receipts:	119,666	125,833
General Receipts:		
Unrestricted Gifts and Contributions	2,809	4,358
Public Library	1,118,316	1,103,203
Property Taxes Levied for General Purposes	1,606,910	1,598,127
Grants and Entitlements Not Restricted to Specific Programs	215,398	215,182
Interest	7,779	3,854
Miscellaneous	6,541	7,654
Total General Receipts	2,957,753	2,932,378
Total Receipts	3,077,419	3,058,211
Disbursements:		
Library Services:		
Public Service and Programs	1,356,251	1,252,633
Collection Development and Processing	671,434	654,491
Support Services:		
Facilities Operation and Management	923,903	538,117
Business Administration	391,258	342,583
Capital Outlay	14,190	42,307
Total Disbursements	3,357,036	2,830,131
Change in Net Position	(279,617)	228,080
Net Position, January 1	1,471,897	1,243,817
Net Position, December 31	\$ 1,192,280	\$ 1,471,897

Program receipts represent only 4% of total receipts for 2017 and 4% of total receipts for 2016. Program receipts are primarily comprised of patron fines and fees.

General receipts represent 96% of the Library's total receipts, and of this amount, 99% are unrestricted state entitlements, PLF and property taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017

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**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are Public Service and Programs which account for 40% of all governmental disbursements. The next column of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service by the Library that must be used to provide a specific service. The Net (Disbursement) Receipt 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 the State and local tax payers. These net costs are paid from the 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 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Library Services:				
Public Service and Programs	\$1,356,251	\$1,236,585	\$1,252,633	\$1,126,800
Collection Development and Processing	671,434	671,434	654,491	654,491
Support Services:				
Facilities Operation and Maintenance	923,903	923,903	538,117	538,117
Collection Development and Processing	391,258	391,258	342,583	342,583
Capital Outlay	14,190	14,190	42,307	42,307
Total Expenses	\$3,357,036	\$3,237,370	\$2,830,131	\$2,704,298

**The Library's Funds**

Total governmental funds had receipts in 2017 of \$3,077,419 and disbursements of \$3,357,036. The fund balance of the General Fund decreased \$279,617 during 2017. The primary reasons contributing to the change in cash balance were discussed following Table 1 above.

**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 2017, the Library amended the General Fund budget several times to reflect changing circumstances. Actual receipts were \$31,527 more than budgeted receipts. Actual disbursements were \$131,964 less than budgeted.

**Current Issues**

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The library relies heavily on the PLF and its operating levy to provide quality service to its patrons.

Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017

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**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors 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 Linda Sutherland, Fiscal Officer, Stow-Munroe Falls Public Library, 3512 Darrow Road, Stow, OH 44224.

**Stow-Munroe Falls Public Library**  
**Summit County**  
*Statement of Net Position - Cash Basis*  
*December 31, 2017*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in pooled cash and cash equivalents	\$ 1,192,280
<i>Total Assets</i>	<u>1,192,280</u>
<b>Net Position</b>	
Unrestricted	<u>1,192,280</u>
<i>Total Net Position</i>	<u>\$ 1,192,280</u>

See accompanying notes to the basic financial statements.

**Stow-Munroe Falls Public Library**  
**Summit County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2017*

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Governmental Activities
<b>Governmental Activities</b>			
Current:			
Library Services:			
Public service and programs	\$ 1,356,251	\$ 119,666	\$ (1,236,585)
Collection development and processing	671,434	-	(671,434)
Support Services:			
Facilities operation and maintenance	923,903	-	(923,903)
Business administration	391,258	-	(391,258)
Capital outlay	14,190	-	(14,190)
<b>Total Governmental Activities</b>	<b>\$ 3,357,036</b>	<b>\$ 119,666</b>	<b>(3,237,370)</b>

**General Receipts**

Property taxes levied for:

General purposes	1,606,910
Public library	1,118,316
Grants and entitlements not restricted to specific programs	215,398
Earnings on investments	7,779
Miscellaneous	9,350

**Total General Receipts** 2,957,753

Change in net position (279,617)

Net position beginning of year 1,471,897

Net position end of year \$ 1,192,280

See accompanying notes to the basic financial statements.



**Stow-Munroe Falls Public Library**  
**Summit County**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2017*

	General	Building Fund	Total Governmental Funds
<b>Assets</b>			
Equity in pooled cash and cash equivalents	\$ 1,141,757	\$ 50,523	\$ 1,192,280
<i>Total Assets</i>	<u>1,141,757</u>	<u>50,523</u>	<u>1,192,280</u>
<b>Fund Balances</b>			
Committed	64,083	50,523	114,606
Assigned	78,518	-	78,518
Unassigned	999,156	-	999,156
<i>Total Fund Balances</i>	<u>\$ 1,141,757</u>	<u>\$ 50,523</u>	<u>\$ 1,192,280</u>

See accompanying notes to the basic financial statements.

**Stow-Munroe Falls Public Library**  
**Summit County**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2017*

	General	Building Fund	Total Governmental Funds
<b>Receipts</b>			
Property and other local taxes	\$ 1,606,910	\$ -	\$ 1,606,910
Public library	1,118,316	-	1,118,316
Intergovernmental	215,398	-	215,398
Patron fines and fees	119,666	-	119,666
Contributions, gifts and donations	2,809	-	2,809
Earnings on Investments	7,779	-	7,779
Miscellaneous	6,541	-	6,541
<i>Total Receipts</i>	3,077,419	-	3,077,419
<b>Disbursements</b>			
Current:			
Library Services:			
Public services and programs	1,356,251	-	1,356,251
Collection development and processing	671,434	-	671,434
Support Services:			
Facilities operation and maintenance	923,903	-	923,903
Business administration	391,258	-	391,258
Capital outlay	14,190	-	14,190
<i>Total Disbursements</i>	3,357,036	-	3,357,036
Net change in fund balance	(279,617)	-	(279,617)
Fund balances beginning of year	1,421,374	50,523	1,471,897
Fund balances end of year	<u>\$ 1,141,757</u>	<u>\$ 50,523</u>	<u>\$ 1,192,280</u>

See accompanying notes to the basic financial statements.

**Stow-Munroe Falls Public Library**  
**Summit County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2017*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and other local taxes	\$ 1,615,163	\$ 1,622,635	\$ 1,606,910	\$ (15,725)
Public library	1,118,316	1,118,316	1,118,316	-
Intergovernmental	241,679	198,941	215,398	16,457
Patron fines and fees	100,000	100,000	119,666	19,666
Contributions, gifts and donations	1,000	1,000	2,809	1,809
Earnings on investments	1,000	1,000	7,779	6,779
Miscellaneous	4,000	4,000	6,541	2,541
<i>Total Receipts</i>	<u>3,081,158</u>	<u>3,045,892</u>	<u>3,077,419</u>	<u>31,527</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public service and programs	1,457,638	1,438,104	1,396,704	41,400
Collection development and processing	703,565	697,998	677,235	20,763
Support Services:				
Facilities operation and maintenance	622,681	992,742	943,182	49,560
Business administration	392,607	419,674	403,268	16,406
Capital outlay	25,000	19,000	15,165	3,835
<i>Total Disbursements</i>	<u>3,201,491</u>	<u>3,567,518</u>	<u>3,435,554</u>	<u>131,964</u>
Net change in fund balance	(120,333)	(521,626)	(358,135)	163,491
Fund balance at beginning of year	1,236,958	1,236,958	1,236,958	-
Prior year encumbrances appropriated	120,333	120,333	120,333	-
Fund balance at end of year	<u>\$ 1,236,958</u>	<u>\$ 835,665</u>	<u>\$ 999,156</u>	<u>\$ 163,491</u>

See accompanying notes to the basic financial statements.

## **Stow-Munroe Falls Public Library**

### **Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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

Stow-Munroe Falls Public Library, Summit County, (the Library) was organized as a school district public library in 1924 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Stow Munroe Falls Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

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

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

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

The Friends of the Stow-Munroe Falls Public Library and Stow-Munroe Falls Library Foundation are not-for-profit organizations with self-appointing boards. The Library is not financially accountable for the organizations, nor does the Library approve the budgets or the issuance of debt of the organizations. The economic resources that the Library receives from these organizations are not significant to the Library. Therefore, these organizations have been excluded from the reporting entity of the Library.

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

#### **Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2C, the financial statements of the Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

## Stow-Munroe Falls Public Library

### Summit County

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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#### **Note 2 - Summary of Significant Accounting Policies** (continued)

##### A. Basis of Presentation

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

##### Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library. Governmental activities generally are financed through taxes, intergovernmental receipts and charges for services.

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

##### Fund Financial Statements

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

##### B. Fund Accounting

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

##### Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts and charges for services. 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 is the general operating 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.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**B. Fund Accounting** (continued)

Building Fund - The building fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

**C. Basis of Accounting**

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

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

**D. Budgetary Process**

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

**E. Cash and Cash Equivalents**

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

## Stow-Munroe Falls Public Library

### Summit County

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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#### **Note 2 - Summary of Significant Accounting Policies** (continued)

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

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

During 2017, the Library invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statements No. 79, "Certain External Investment Pools and Pool Participants." The Library measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

STAR Plus is an FDIC-insured investment program that has been fully reviewed and endorsed by the State Treasurer of Ohio. The program offers attractive yields with no market or credit risk, weekly liquidity with penalty free withdrawals. Participants in STAR Plus must be participating in STAR Ohio.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2017 amounted to \$7,779 which includes \$810 from the Building fund.

#### **F. Inventory**

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

#### **G. 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.

#### **H. Accumulated Leave**

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

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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

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

**J. Net Position**

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations or other governments. The Library applies restricted resources first when an expense is incurred for purposes for which restricted net position is available for major capital and technology improvements.

**K. Fund Balance**

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

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

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

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

***Assigned*** – Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute. State Statute authorizes the Library Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Library may also assign fund balance as a result when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget in the general fund.



## Stow-Munroe Falls Public Library

### Summit County

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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#### **Note 2 - Summary of Significant Accounting Policies** (continued)

*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.

#### **Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$78,518 for 2017.

#### **Note 4 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 4 - Deposits and Investments** (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. 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;
6. The State Treasurer’s investment pool (STAR Ohio);
7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and,
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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

At year end, the Library had \$300 in undeposited cash on hand, which is included as part of “Equity in Pooled Cash and Cash Equivalents.”

Investments

The Library had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
December 31, 2017		
Star Ohio	<u>\$379,890</u>	“Less Than 1 Year”

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

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2017*

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**Note 4 - Deposits and Investments** (continued)

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

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Deposits

Custodial 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, the carrying amount of the Library's deposits was \$812,090 and the bank balance was \$999,412. None of the bank balance was exposed to custodial credit risk.

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.

Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions have the option of participating in OPCS or collateralizing utilizing the specific pledge method. Financial institutions are transitioning to OPCS, but some have been granted extensions that may carry over year end and will be collateralizing with their own collateral pool until they join OPCS.

Deposit Amounts. For the period commencing on 12/15/2017 and through 8/30/2021, the Public Entity designates Huntington as an approved depository and Huntington will accept for deposit the following:

A. Active Deposits: Up to the maximum sum of .....	\$5,000,000
B. Interim Deposits: Up to the maximum sum of .....	\$5,000,000
C. Inactive Deposits: Up to the maximum sum of .....	\$5,000,000
D. Total sum of Active, Interim and Inactive Deposits not to exceed .....	\$5,000,000

Security. Huntington provides security in accordance with the Ohio Revised Code. Upon Huntington's full participation in the Ohio Pooled Collateral Program (OPCP), Huntington will provide security at the approved collateral level, as determined by the State. The Ohio Treasurer's Office will send notice when Huntington becomes active with OPSP. If, for any reason, Huntington does not participate in the OPSP by December 31, 2017, Huntington will provide security in accordance with other provisions of the Ohio Revised Code. Huntington's Rules & Regulations: the Proposal: Entire Agreement. The Rules & Regulations as published.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2017*

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**Note 5 – Public Library Fund**

The State allocates PLF to each county based on the county’s prior intangibles tax of PLF revenues, and its population. The Summit County Budget Commission allocated these funds to the Library based on formula which incorporated square footage, full-time equivalent employees, general fund expenditures for Library materials, number of cardholders and circulation. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives. The Public Library Funds are reported on the Financial Statements as Public Library revenue.

**Note 6 - Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Stow Munroe Falls City School District. Property tax receipts received in 2017 for real and public utility property taxes represents collections of the 2016 taxes.

2016 real property taxes are levied after October 1, 2016 on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute 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 semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate 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 on December 31, 2015, were 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 \$2.00 per \$1,000 of assessed value. Per Summit County Budget Commission Certification of Tax Levy Tax Year 2016/Collection Year 2017, the assessed values of real property and public utility property upon which 2017 property tax receipts were based are as follows:

Real Property	\$900,557,720
Public Utility Property	<u>13,930,890</u>
Total	<u>\$914,488,610</u>

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

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 7- Risk Management**

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

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
U.S. Specialty Insurance Company	Building and	
	Personal Property	\$9,953,630
	Theft	25,000
	Employee	
	Dishonesty	500,000
	General 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 8 - Defined Benefit Pension Plan**

Plan Description: The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: the Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost sharing, multiple-employer defined benefit pension plan with defined contribution features. While members may elect the Member-Directed Plan and the Combined Plan, substantially all members are in the 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.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2017*

**Note 8 - Defined Benefit Pension Plan** (continued)

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

<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 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.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2017*

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**Note 8 - Defined Benefit Pension Plan** (continued)

Funding Policy – The Ohio Revised Code 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	<u>14.0%</u>
Employee	<u>10.0%</u>

The Library’s required contributions for pension obligations to the traditional plan for the years ended December 31, 2017, 2016 and 2015 were \$215,024, \$207,116, and \$201,468, respectively. The full amount has been contributed for 2017, 2016 and 2015.

**Note 9 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

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

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

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 9 - Postemployment Benefits** (continued)

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 was at 1.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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

Substantially all of the Library's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was \$15,359, \$29,588, and \$28,781, respectively. The full amount has been contributed for all three years.



**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 10 – Fund Balances**

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

<u>Fund Balances</u>	<u>General</u>	<u>Building</u>	<u>Total</u>
<b>Committed to</b>			
Accumulated Benefits	\$ 64,000	\$ -	\$ 64,000
Grant	83	-	83
Capital	-	50,523	50,523
Total Committed	64,083	50,523	114,606
<b>Assigned to</b>			
Encumbrances	78,518	-	78,518
Total Assigned	78,518	-	78,518
<b>Unassigned</b>	999,156	-	999,156
Total Fund Balances	<u>\$1,141,757</u>	<u>\$50,523</u>	<u>\$1,192,280</u>

Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016

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This discussion and analysis of the Stow-Munroe Falls Public Library (Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2016, within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

**Highlights**

Key highlights for 2016 are as follows:

Net position of governmental activities increased \$228,080 or 18%, from the prior year.

As of December 31, 2016, the fund balance in the Library's General Fund was \$1,421,374, an increase of 19% from the previous year.

The Library's general receipts are primarily property taxes and public library funds ("PLF"). These receipts represent respectively 52% (property taxes) and 36% (PLF) of the total cash received for governmental activities during the year.

The Stow-Munroe Falls Library Board of Trustees amended the following policies:

1. Job Classifications
2. Organizational Chart
3. Fines and Fees Policy
4. Amend By-Laws: M. Guidelines for Speakers
5. Meeting Room Policy

On December 30, 2015, the Library purchased the property on 1862 Beech Street, Stow, OH 44224 at a price of \$72,920. The Board of Library Trustees of the Library will proceed with the Parking Lot Expansion Project.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's 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 Library adopts an annual appropriated budget. A budgetary comparison report demonstrates compliance with this budget.

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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 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 the cash basis of accounting. The statement of net position presents the cash balances 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. 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 position. Keeping in mind the limitations of the 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-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes and Public Library Funds (PLF).

In the statement of net position and the statement of activities the Library reports all financial activity as governmental activities. This activity includes all the Library's basic activities, including library services and capital outlay. 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 that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are reported in one category: governmental.

Stow-Munroe Falls Public Library  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2016

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Governmental Funds – The Library’s activities are reported in 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 Library’s major governmental funds are the General Fund and the Building Fund. The programs reported in governmental funds are related to those reported in the governmental activities section of the entity-wide statements, therefore there are no reconciliations presented with the governmental fund financial statements.

**The Library as a Whole**

Table 1 provides a summary of the Library’s net position for 2016 on a cash basis compared to 2015.

(Table 1)  
 Net Position

<b>Assets</b>	Governmental Activities	
	2016	2015
Cash and Cash Equivalents	\$ 1,471,897	\$ 1,243,817
<b>Net Position</b>		
Unrestricted	1,471,897	1,243,817
Total Net Position	\$ 1,471,897	\$ 1,243,817

As mentioned previously, net position of governmental activities increased \$228,080 or 19% during 2016. The primary reasons contributing to the change in cash balances are as follows:

We were able to yield an increase in cash balance due to both an increase in revenues and a decrease in expenditures. Our increased revenues were primarily the result of the increase revenues in fines and fees, restricted contributions, donations and earnings on investments. While we strive to decrease all expenditures when possible, the key component contributed to the decrease this year was salaries and benefits. Salaries and benefits were \$129,169 less than budgeted due to restructuring a department and decreased health insurance costs.

Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016

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Table 2 reflects the changes in net position in 2016 compared to 2015.

(Table 2)  
Changes in Net Position

	Governmental Activities 2016	Governmental Activities 2015
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 125,833	\$ 116,170
Total Program Receipts:	125,833	116,170
General Receipts:		
Unrestricted Gifts and Contributions	4,358	5,467
Property Taxes Levied for General Purposes Public Library	1,598,127	1,595,810
Grants and Entitlements Not Restricted to Specific Programs	1,103,203	1,102,559
Interest	215,182	214,742
Miscellaneous	3,854	1,650
Total General Receipts	7,654	25,717
Total Receipts	2,932,378	2,945,945
Disbursements:		
Library Services:		
Public Service and Programs	1,252,633	1,278,100
Collection Development and Processing	654,491	681,363
Support Services:		
Facilities Operation and Management	538,117	504,738
Business Administration	342,583	308,836
Capital Outlay	42,307	152,901
Total Disbursements	2,830,131	2,925,938
Change in Net Position	228,080	136,177
Net Position, January 1	1,243,817	1,107,640
Net Position, December 31	\$ 1,471,897	\$ 1,243,817

Program receipts represent only 4% of total receipts for 2016 and 4% of total receipts for 2015. Program receipts are primarily comprised of patron fines and fees.

General receipts represent 96% of the Library's total receipts, and of this amount, 99% are unrestricted state entitlements, PLF and property taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016

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**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are Public Service and Programs which account for 40% of all governmental disbursements. The next column of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service by the Library that must be used to provide a specific service. The Net (Disbursement) Receipt 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 the State and local tax payers. These net costs are paid from the 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	Total Cost of Services 2015	Net Cost of Services 2015
Library Services:				
Public Service and Programs	\$1,252,633	\$1,126,800	\$1,278,100	\$1,161,930
Collection Development and Processing	654,491	654,491	681,363	681,363
Support Services:				
Facilities Operation and Maintenance	538,117	538,117	504,738	504,738
Collection Development and Processing	342,583	342,583	308,836	308,836
Capital Outlay	42,307	42,307	152,901	152,901
Total Expenses	\$2,830,131	\$2,704,298	\$2,925,938	\$2,809,768

**The Library's Funds**

Total governmental funds had receipts in 2016 of \$3,058,211 and disbursements of \$2,830,131. The fund balance of the General Fund increased \$228,080 during 2016. The primary reasons contributing to the change in cash balance were discussed following Table 1 above.

**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 2016, the Library amended the General Fund budget several times to reflect changing circumstances. Actual receipts were \$41,129 more than budgeted receipts. Actual disbursements were \$187,742 less than budgeted.

**Current Issues**

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The library relies heavily on the PLF and its operating levy to provide quality service to its patrons.

Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016

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**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors 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 Linda Sutherland, Fiscal Officer, Stow-Munroe Falls Public Library, 3512 Darrow Road, Stow, OH 44224.

**Stow-Munroe Falls Public Library**  
**Summit County**  
*Statement of Net Position - Cash Basis*  
*December 31, 2016*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in pooled cash and cash equivalents	\$ 1,471,897
<i>Total Assets</i>	<u>1,471,897</u>
<b>Net Position</b>	
Unrestricted	<u>1,471,897</u>
<i>Total Net Position</i>	<u>\$ 1,471,897</u>

See accompanying notes to the basic financial statements.



**Stow-Munroe Falls Public Library**  
**Summit County**  
*Statement of Activities - 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	Governmental Activities
<b>Governmental Activities</b>			
Current:			
Library Services:			
Public service and programs	\$ 1,252,633	\$ 125,833	\$ (1,126,800)
Collection development and processing	654,491	-	(654,491)
Support Services:			
Facilities operation and maintenance	538,117	-	(538,117)
Business administration	342,583	-	(342,583)
Capital outlay	42,307	-	(42,307)
<i>Total Governmental Activities</i>	<u>\$ 2,830,131</u>	<u>\$ 125,833</u>	<u>(2,704,298)</u>

**General Receipts**

Property taxes levied for:

General purposes	1,598,127
Public library	1,103,203
Grants and entitlements not restricted to specific programs	215,182
Earnings on investments	3,854
Miscellaneous	12,012

*Total General Receipts* 2,932,378

Change in net position 228,080

Net position beginning of year 1,243,817

Net position end of year \$ 1,471,897

See accompanying notes to the basic financial statements.

**Stow-Munroe Falls Public Library**  
**Summit County**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2016*

	<u>General</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in pooled cash and cash equivalents	\$ 1,421,374	\$ 50,523	\$ 1,471,897
<i>Total Assets</i>	<u>1,421,374</u>	<u>50,523</u>	<u>1,471,897</u>
<b>Fund Balances</b>			
Committed	64,083	50,523	114,606
Assigned	641,959	-	641,959
Unassigned	<u>715,332</u>	<u>-</u>	<u>715,332</u>
<i>Total Fund Balances</i>	<u>\$ 1,421,374</u>	<u>\$ 50,523</u>	<u>\$ 1,471,897</u>

See accompanying notes to the basic financial statements.

**Stow-Munroe Falls Public Library**  
**Summit County**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2016*

	General	Building Fund	Total Governmental Funds
<b>Receipts</b>			
Property and other local taxes	\$ 1,598,127	\$ -	\$ 1,598,127
Public library	1,103,203	-	1,103,203
Intergovernmental	215,182	-	215,182
Patron fines and fees	125,833	-	125,833
Contributions, gifts and donations	4,358	-	4,358
Earnings on Investments	3,854	-	3,854
Miscellaneous	7,654	-	7,654
<i>Total Receipts</i>	3,058,211	-	3,058,211
<b>Disbursements</b>			
Current:			
Library Services:			
Public services and programs	1,252,633	-	1,252,633
Collection development and processing	654,491	-	654,491
Support Services:			
Facilities operation and maintenance	538,117	-	538,117
Business administration	342,583	-	342,583
Capital outlay	42,307	-	42,307
<i>Total Disbursements</i>	2,830,131	-	2,830,131
Net change in fund balance	228,080	-	228,080
Fund balances beginning of year	1,193,294	50,523	1,243,817
Fund balances end of year	<u>\$ 1,421,374</u>	<u>\$ 50,523</u>	<u>\$ 1,471,897</u>

See accompanying notes to the basic financial statements.

**Stow-Munroe Falls Public Library**  
**Summit 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	\$ 1,607,536	\$ 1,615,163	\$ 1,598,127	\$ (17,036)
Public library	1,103,203	1,103,203	1,103,203	-
Intergovernmental	217,456	198,716	215,182	16,466
Patron fines and fees	95,000	95,000	125,833	30,833
Contributions, gifts and donations	1,000	1,000	4,358	3,358
Earnings on investments	1,000	1,000	3,854	2,854
Miscellaneous	3,000	3,000	7,654	4,654
<i>Total Receipts</i>	3,028,195	3,017,082	3,058,211	41,129
<b>Disbursements</b>				
Current:				
Library Services:				
Public service and programs	1,396,824	1,377,979	1,310,435	67,544
Collection development and processing	702,029	702,979	660,147	42,832
Support Services:				
Facilities operation and maintenance	562,655	594,573	565,364	29,209
Business administration	389,089	400,566	372,211	28,355
Capital outlay	87,609	62,109	42,307	19,802
<i>Total Disbursements</i>	3,138,206	3,138,206	2,950,464	187,742
Net change in fund balance	(110,011)	(121,124)	107,747	228,871
Fund balance at beginning of year	1,019,200	1,019,200	1,019,200	-
Prior year encumbrances appropriated	110,011	110,011	110,011	-
Fund balance at end of year	<u>\$ 1,019,200</u>	<u>\$ 1,008,087</u>	<u>\$ 1,236,958</u>	<u>\$ 228,871</u>

See accompanying notes to the basic financial statements.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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

Stow-Munroe Falls Public Library, Summit County, (the Library) was organized as a school district public library in 1924 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Stow Munroe Falls Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

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

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

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

The Friends of the Stow-Munroe Falls Public Library and Stow-Munroe Falls Library Foundation are not-for-profit organizations with self-appointing boards. The Library is not financially accountable for the organizations, nor does the Library approve the budgets or the issuance of debt of the organizations. The economic resources that the Library receives from these organizations are not significant to the Library. Therefore, these organizations have been excluded from the reporting entity of the Library.

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

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

As discussed further in Note 2C, the financial statements of the Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

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

**Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library. Governmental activities generally are financed through taxes, intergovernmental receipts and charges for services.

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**Governmental Funds**

Governmental funds are financed primarily from taxes, intergovernmental receipts and charges for services. 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 is the general operating 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.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**B. Fund Accounting** (continued)

Building Fund - The building fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

**C. Basis of Accounting**

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

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

**D. Budgetary Process**

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

**E. Cash and Cash Equivalents**

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

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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

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

During 2016, the Library invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statements No. 79, "Certain External Investment Pools and Pool Participants." The Library measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2016 amounted to \$3,854 which includes \$402 from the Building fund.

**F. Inventory**

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

**G. 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.

**H. Accumulated Leave**

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

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

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



**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**J. 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 or other governments. The Library applies restricted resources first when an expense is incurred for purposes for which restricted net position is available for major capital and technology improvements.

**K. Fund Balance**

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

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

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

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

***Assigned*** – Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute. State Statute authorizes the Library Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Library may also assign fund balance as a result when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget in the general fund.

***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.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies** (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.

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$120,333 for 2016.

**Note 4 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016*

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**Note 4 - Deposits and Investments** (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. 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;
6. The State Treasurer’s investment pool (STAR Ohio);
7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and,
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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

At year end, the Library had \$300 in undeposited cash on hand, which is included as part of “Equity in Pooled Cash and Cash Equivalents.”

Investments

The Library had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
December 31, 2016		
Star Ohio	<u>\$ 375,860</u>	“Less Than 1 Year”

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

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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**Note 4 - Deposits and Investments** (continued)

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

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Deposits**

Custodial 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, the carrying amount of the Library's deposits was \$1,095,737 and the bank balance was \$1,170,481. None of the bank balance was exposed to custodial credit risk.

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.

**Note 5 – Public Library Fund**

The State allocates PLF to each county based on the county's prior intangibles tax of PLF revenues, and its population. The Summit County Budget Commission allocated these funds to the Library based on formula which incorporated square footage, full-time equivalent employees, general fund expenditures for Library materials, number of cardholders and circulation. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

The Public Library Funds are reported on the Financial Statements as Public Library revenue.

**Note 6 - Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Stow Munroe Falls City School District. Property tax receipts received in 2016 for real and public utility property taxes represents collections of the 2015 taxes.

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

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016*

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**Note 6 - Property Taxes** (continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate 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 on December 31, 2015, were levied after October 1, 2016, and are collected in 2016 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2016, was \$2.00 per \$1,000 of assessed value. Per Summit County Budget Commission Certification of Tax Levy Tax Year 2015/Collection Year 2016, the assessed values of real property and public utility property upon which 2016 property tax receipts were based are as follows:

Real Property	\$892,141,840
Public Utility Property	<u>12,920,870</u>
Total	<u>\$905,062,710</u>

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

**Note 7- Risk Management**

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

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
U.S. Specialty Insurance Company	Building and	
	Personal Property	\$9,793,235
	Theft	25,000
	Employee	
	Dishonesty	500,000
	General 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.

**Stow-Munroe Falls Public Library**  
**Summit County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 8 - Defined Benefit Pension Plan**

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

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

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

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

<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

**Stow-Munroe Falls Public Library**  
**Summit County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 8 - Defined Benefit Pension Plan** (continued)

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

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

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

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

	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 required contributions for pension obligations to the traditional plan for the years ended December 31, 2016, 2015 and 2014 were \$207,116, \$201,468, and \$193,989, respectively. The full amount has been contributed for 2016, 2015 and 2014. No contributions were made to the member directed or combined plans.

**Stow-Munroe Falls Public Library**  
**Summit County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 9 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

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

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

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

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

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

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

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



**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016*

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**Note 9 - Postemployment Benefits** (continued)

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

Substantially all of the Library's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$29,588, \$28,781, and \$27,713, respectively. The full amount has been contributed for all three years.

**Note 10 – Fund Balances**

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

<u>Fund Balances</u>	<u>General</u>	<u>Building</u>	<u>Total</u>
<b>Committed to</b>			
Accumulated Benefits	\$ 64,000	\$ -	\$ 64,000
Grant	83	-	83
Capital	-	50,523	50,523
Total Committed	64,083	50,523	114,606
<b>Assigned to</b>			
Encumbrances	120,333	-	120,333
Total Assigned	120,333	-	120,333
<b>Unassigned</b>	1,236,958	-	1,236,958
Total Fund Balances	<u>\$1,421,374</u>	<u>\$50,523</u>	<u>\$1,471,897</u>

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

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Stow-Munroe Falls Public Library  
Summit County  
4215 Darrow Road  
Stow, Ohio 44224

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Stow-Munroe Falls Public Library, Summit County (the Library) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated May 15, 2018, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Stow-Munroe Falls Public Library*

*Summit County*

Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

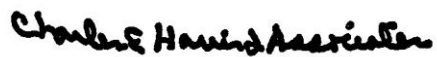
Page 2

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris and Associates, Inc.***

May 15, 2018



# Dave Yost • Auditor of State

STOW MUNROE FALLS PUBLIC LIBRARY

SUMMIT 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  
AUGUST 2, 2018