

WAYNE COUNTY PUBLIC LIBRARY

WAYNE COUNTY

Audit Report

For the Year Ended December 31, 2018



OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the Wayne County Public Library, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 1, 2019

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Wayne County Public Library
Wayne County
For the Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County Public Library, Wayne County, (the Library) as of and for the year ended December 31, 2018, 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 modified cash basis of accounting described in Note 2. This responsibility includes determining that the modified 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 free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

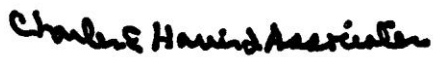
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County Public Library, Wayne County, as of December 31, 2018, and the respective changes in modified cash basis financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the modified 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 modified cash basis of accounting, which differs from generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2019, 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, 2019

Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2018
(Unaudited)

As the management of the Wayne County Public Library, we offer readers of the Library's financial statements this narrative overview and analysis of the Library's financial activities for the year ended December 31, 2018.

FINANCIAL HIGHLIGHTS

- The Library's total net position increased \$231,190 or 6.6%.
- As of the close of the most recent fiscal year, the fund balance in the Library's general fund was \$2.67 million, an increase of \$259,614 or 10.75%, from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

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

Fund financial statements

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

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

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

Notes to the basic financial statements

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

Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2018
(Unaudited)

THE LIBRARY AS A WHOLE

Table 1 provides a summary of the Library's net position for 2018 compared to 2017 on the modified cash basis:

Table 1
Net Position

	2018	2017
Assets	\$3,757,202	\$3,526,012
Total Assets	<u>\$3,757,202</u>	<u>\$3,526,012</u>
Net Position		
Restricted	\$262,157	\$305,958
Unrestricted	<u>3,495,045</u>	<u>3,220,054</u>
Total Net Position	<u>\$3,757,202</u>	<u>\$3,526,012</u>

Cash balances increased between years due to receipts exceeding disbursements during 2018. Significant changes in receipts and disbursements will be discussed under Table 2.

Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2018
(Unaudited)

Table 2 shows the changes in net position for the year ended December 31, 2018 as compared to 2017.

Table 2
Changes in Net Position

	2018	2017
Receipts:		
Program Cash Receipts		
Charges for Services and Sales	\$88,866	\$118,719
Capital Grants and Contributions	19,595	5,000
Total Program Cash Receipts	<u>108,461</u>	<u>123,719</u>
General Receipts		
Taxes	2,195,585	2,160,588
Unrestricted Gifts and Contributions	26,032	24,642
Unrestricted Grants and Entitlements	3,395,946	3,275,154
Sale of Assets	6,044	0
Interest	47,877	26,151
Other Receipts	116,708	112,484
Total General Receipts	<u>5,788,192</u>	<u>5,599,019</u>
Total Receipts	<u>5,896,653</u>	<u>5,722,738</u>
Disbursements:		
Program Disbursements:		
Public Service and Programs	2,292,600	2,377,494
Collection Development and Processing	983,467	1,047,358
Facilities Operation and Maintenance	765,150	763,280
Information Services	465,970	478,649
Business Administration	587,041	597,757
Capital Outlay	290,475	121,608
Debt Service:		
Principal Retirement	436,128	99,098
Interest	109,632	451,662
Total Disbursements	<u>5,930,463</u>	<u>5,936,906</u>
Special Item	<u>265,000</u>	<u>0</u>
Changes in Net Position	231,190	(214,168)
Net Position, Beginning of Year	<u>3,526,012</u>	<u>3,740,180</u>
Net Position, End of Year	<u>\$3,757,202</u>	<u>\$3,526,012</u>

Total receipts increased \$173,915. This increase was due mainly to increases to unrestricted gifts and entitlements and interest, which were partially offset by decreases in charges for sales and services.

Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2018
(Unaudited)

Overall disbursements remained consistent with the prior year. Capital outlay increased as a result of disbursements for vehicle replacement, technology and building repair. Principal retirement disbursements increased while interest decreased due to the retirement of accreted debt in the prior year.

General receipts comprise 98.16% of the Library's receipts with property taxes and unrestricted state entitlements being the primary contributors. Public service and programs and collection development and processing, are the major activities of the Library, accounting for 38.66% and 16.58% of total disbursements, respectively. Principal retirement and interest on the bonds accounted for 9.20% of the total expenses for 2018.

Total Versus Net Cost of Services

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

Table 3

	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Disbursements				
Library Services				
Public Service and Programs	\$2,292,600	\$2,203,734	\$2,377,494	\$2,258,775
Collection Development and Processing	983,467	983,467	1,047,358	1,047,358
Support Services				
Facilities Operation and Maintenance	765,150	765,150	763,280	763,280
Information Services	465,970	465,970	478,649	478,649
Business Administration	587,041	587,041	597,757	597,757
Capital Outlay	290,475	270,880	121,608	116,608
Debt Service				
Principal Retirement	436,128	436,128	99,098	99,098
Interest	109,632	109,632	451,662	451,662
Total Disbursements	<u>\$5,930,463</u>	<u>\$5,822,002</u>	<u>\$5,936,906</u>	<u>\$5,813,187</u>

The Library's reliance on general receipts is indicated by the net cost of services column reflecting the need for \$5.82 million of support as well as Table 2 on the preceding page demonstrating that general receipts comprise 98.16% of the Library's total receipts.

Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2018
(Unaudited)

THE LIBRARY'S FUNDS

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

As of the end of the current year, the Library's governmental funds reported combined ending fund balances of \$3.76 million, an increase of \$231,190 in comparison with the prior year. Approximately 58.46% of this amount (\$2.2 million) constitutes unassigned fund balance, which is available for spending at the Library's discretion. The remainder of fund balance is either nonspendable, restricted, assigned or committed to indicate that it is not available for new spending.

The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2018 and 2017.

	Fund Balance December 31, 2018	Fund Balance December 31, 2017	Increase (Decrease)
General	\$2,673,654	\$2,414,040	\$259,614
Building and Repair	522,884	492,176	30,708
Other Governmental	560,664	619,796	(59,132)
Total	\$3,757,202	\$3,526,012	\$231,190

The General Fund is the chief operating fund of the Library. At the end of the current year, unassigned fund balance of the General Fund was \$2.2 million, while total fund balance reached \$2.67 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund disbursements. Unassigned fund balance represents 43.67% of total general fund disbursements, while total fund balance represents 53.15% of that same amount.

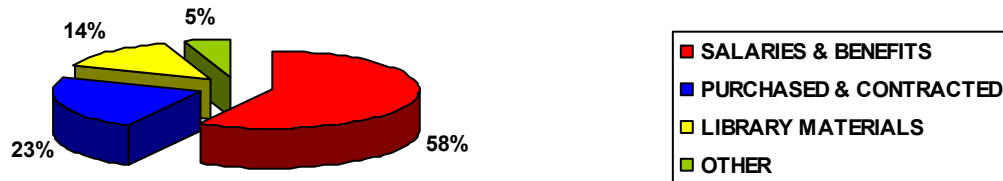
The tables and graphs that follow assist in illustrating the financial activities and corresponding increase in fund balance of the Library's General Fund.

General Fund Receipts Comparative Analysis

	2018 Amount	2017 Amount	Percentage Change
Revenues:			
General Taxes	\$1,800,743	\$1,776,240	1.38%
Intergovernmental	3,242,606	3,123,142	3.83%
Other	245,805	253,530	(3.05%)
Total	\$5,289,154	\$5,152,912	2.64%

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

Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2018
(Unaudited)



	2018 Amount	2017 Amount	Dollar Change	Percent Change
Expenditures by Object:				
Salaries & Benefits	\$2,925,698	\$2,976,308	(\$50,610)	-1.70%
Purchased Services	1,148,125	1,266,422	(118,297)	-9.34%
Library Materials	711,878	793,585	(81,707)	-10.30%
Other	243,858	215,980	27,878	12.91%
Total	\$5,029,559	\$5,252,295	(\$222,736)	-4.24%

GENERAL FUND BUDGET INFORMATION

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

The Library's final General Fund estimated receipts and other financing sources were less than actual receipts by \$95,793, or 1.82%, and the final amended appropriation measure exceeded actual budgetary expenditures by \$526,978, or 9.28%. Appropriations were higher than actual disbursements due to conservative budgeting by the Library.

DEBT

On November 8, 2005, the voters of Wayne County approved the issuance of bonds for the purpose of constructing, furnishing, equipping and otherwise improving new library facilities and improving their sites. The \$6,000,000 Library Improvement Bonds were sold and issued in June 2006. In 2014, \$3,355,000 of these bonds were refunded and paid in full during 2016. In June 2015, Wayne County issued a loan in the amount of \$1,225,000. At December 31, 2018, the balance of total debt outstanding was \$3,789,809. Additional information regarding debt is reported in Note 7 to the basic financial statements.

CONTACTING THE LIBRARY

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

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Wayne County Public Library
Statement of Net Position - Modified Cash Basis
December 31, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,042,202
Investments	2,715,000
<i>Total Assets</i>	<i>\$3,757,202</i>
Net Position	
Restricted for:	
Permanent Fund:	
Non-expendable	\$24,200
Expendable	13,601
Debt Service	223,411
Other Purposes	945
Unrestricted	3,495,045
<i>Total Net Position</i>	<i>\$3,757,202</i>

See accompanying notes to the basic financial statements.

Wayne County Public Library
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2018

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Capital Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$2,292,600	\$88,866	\$0	(\$2,203,734)
Collection Development and Processing	983,467	0	0	(983,467)
Support Services:				
Facilities Operation and Maintenance	765,150	0	0	(765,150)
Information Services	465,970	0	0	(465,970)
Business Administration	587,041	0	0	(587,041)
Capital Outlay	290,475	0	19,595	(270,880)
Debt Service:				
Principal Retirement	436,128	0	0	(436,128)
Interest	109,632	0	0	(109,632)
<i>Total Governmental Activities</i>	<u>\$5,930,463</u>	<u>\$88,866</u>	<u>\$19,595</u>	<u>(5,822,002)</u>
General Receipts				
Property Taxes Levied for General Purposes				1,800,743
Property Taxes Levied for Library Construction				394,842
Unrestricted Gifts and Contributions				26,032
Grants and Entitlements not Restricted to Specific Programs				3,395,946
Sale of Assets				6,044
Interest				47,877
Miscellaneous				116,708
<i>Total General Receipts</i>				<u>5,788,192</u>
Special Item - Settlement Monies				<u>265,000</u>
Change in Net Position				231,190
<i>Net Position Beginning of Year</i>				<u>3,526,012</u>
<i>Net Position End of Year</i>				<u><u>\$3,757,202</u></u>

See accompanying notes to the basic financial statements.

Wayne County Public Library
Statement of Modified Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2018

	General	Building and Repair	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$522,854	\$206,884	\$312,464	\$1,042,202
Investments	2,150,800	316,000	248,200	2,715,000
<i>Total Assets</i>	<u>\$2,673,654</u>	<u>\$522,884</u>	<u>\$560,664</u>	<u>\$3,757,202</u>
Fund Balances				
Nonspendable	\$0	\$0	\$24,200	\$24,200
Restricted	0	0	237,957	237,957
Committed	216,244	522,884	298,507	1,037,635
Assigned	260,784	0	0	260,784
Unassigned	2,196,626	0	0	2,196,626
<i>Total Fund Balances</i>	<u>\$2,673,654</u>	<u>\$522,884</u>	<u>\$560,664</u>	<u>\$3,757,202</u>

See accompanying notes to the basic financial statements.

Wayne County Public Library
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Building and Repair	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$1,800,743	\$0	\$394,842	\$2,195,585
Intergovernmental	3,242,606	0	153,340	3,395,946
Patron Fines and Fees	88,866	0	0	88,866
Contributions, Gifts and Donations	26,032	0	19,595	45,627
Earnings on Investments	35,452	9,925	2,500	47,877
Miscellaneous	95,455	21,253	0	116,708
<i>Total Receipts</i>	<u>5,289,154</u>	<u>31,178</u>	<u>570,277</u>	<u>5,890,609</u>
Disbursements				
Library Services:				
Public Service and Programs	2,292,600	0	0	2,292,600
Collection Development and Processing	976,522	0	6,945	983,467
Support Services:				
Facilities Operation and Maintenance	687,920	76,750	480	765,150
Information Services	465,970	0	0	465,970
Business Administration	587,041	0	0	587,041
Capital Outlay	19,506	188,720	82,249	290,475
Debt Service:				
Principal Retirement	0	0	436,128	436,128
Interest	0	0	109,632	109,632
<i>Total Disbursements</i>	<u>5,029,559</u>	<u>265,470</u>	<u>635,434</u>	<u>5,930,463</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	259,595	(234,292)	(65,157)	(39,854)
Other Financing Sources (Uses)				
Transfers In	0	0	60,028	60,028
Transfers Out	0	0	(60,028)	(60,028)
Sale of Assets	19	0	6,025	6,044
<i>Total Other Financing Sources (Uses)</i>	<u>19</u>	<u>0</u>	<u>6,025</u>	<u>6,044</u>
Special Item				
Settlement Monies Received	0	265,000	0	265,000
<i>Net Change in Fund Balances</i>	259,614	30,708	(59,132)	231,190
<i>Fund Balances Beginning of Year</i>	<u>2,414,040</u>	<u>492,176</u>	<u>619,796</u>	<u>3,526,012</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,673,654</u></u>	<u><u>\$522,884</u></u>	<u><u>\$560,664</u></u>	<u><u>\$3,757,202</u></u>

See accompanying notes to the basic financial statements.

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$1,955,800	\$1,955,800	\$1,800,743	(\$155,057)
Intergovernmental	3,131,517	3,131,517	3,242,606	111,089
Patron Fines and Fees	132,545	132,545	88,866	(43,679)
Contributions, Gifts and Donations	50,000	50,000	7,000	(43,000)
Earnings on Investments	16,650	16,650	33,086	16,436
Miscellaneous	77,056	77,056	95,455	18,399
<i>Total Receipts</i>	5,363,568	5,363,568	5,267,756	(95,812)
Disbursements				
Library Services:				
Public Service and Programs	2,382,660	2,389,988	2,344,346	45,642
Collection Development and Processing	1,084,618	1,173,373	1,005,353	168,020
Support Services:				
Facilities Operation and Maintenance	784,887	819,585	715,425	104,160
Information Services	498,239	543,067	473,815	69,252
Business Administration	705,858	726,914	587,596	139,318
Capital Outlay	26,600	26,600	26,014	586
<i>Total Disbursements</i>	5,482,862	5,679,527	5,152,549	526,978
<i>Excess of Receipts Over (Under) Disbursements</i>	(119,294)	(315,959)	115,207	431,166
Other Financing Sources				
Sale of Assets	0	0	19	19
<i>Total Other Financing Sources</i>	0	0	19	19
<i>Net Change in Fund Balance</i>	(119,294)	(315,959)	115,226	431,185
<i>Unencumbered Fund Balance Beginning of Year</i>	1,961,741	1,961,741	1,961,741	0
<i>Prior Year Encumbrances Appropriated</i>	186,565	186,565	186,565	0
<i>Unencumbered Fund Balance End of Year</i>	\$2,029,012	\$1,832,347	\$2,263,532	\$431,185

See accompanying notes to the basic financial statements.

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Wayne County Public Library was organized as a public library under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed under the laws of the State of Ohio. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.41 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The determination to request approval of a tax levy, the role and purposes of the levy, are discretionary decisions made solely by the Board of Library Trustees.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

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

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

D. Budgetary Process

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

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

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

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

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

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

The adjustment necessary to convert the results of operations for the year ended December 31, 2018, on the modified cash basis are as follows:

Net Change in Fund Balance	
	<u>General</u>
Modified Cash Basis	\$259,614
Perspective Difference:	
Activity of Funds Reclassified for	
Cash Reporting Purposes	(2,418)
Encumbrances	<u>(141,970)</u>
Budget Basis	<u>\$115,226</u>

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

E. Cash and Cash Equivalents

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

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

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

The Library's investments are in negotiable certificates of deposit.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund, the Building and Repair Fund, and other governmental funds during 2018 amount to \$35,452, \$9,925, and \$2,500, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for grant monies.

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

No restricted net position is restricted by enabling legislation.

G. Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the Library Board. The Library Board may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 5 and 6, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

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

L. Special Item

Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The special item recorded by the Library is from settlement monies received from contractors for damages related to a roof project.

3. DEPOSITS AND INVESTMENTS

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

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

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

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

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

3. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

At year end, the Library had \$1,715 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the Library's deposits was \$1,040,487 and the bank balance was \$1,113,577. Of the bank balance \$258,672 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

The Library does not have an investment policy addressing custodial credit risk for deposits beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the Library and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or

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

Investments – The Library reports their investments at cost. The fair value of these investments is not materially different from cost. As of December 31, 2018, the Library had the following investments:

<u>Investment Type</u>	<u>Measurement Value</u>	<u>Less Than One Year</u>
Negotiable Certificates of Deposit	\$2,715,000	\$2,715,000

Interest Rate Risk – Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Library's investment policy limits investment portfolio maturities to five years or less.

Credit Risk – The Library's investments in individual marketable certificates of deposit are fully insured by the Federal Deposit Insurance Corporation.

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

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

3. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Library's investments are held in the name of the Library.

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

Concentration of Credit Risk -The Library's investment policy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the Library at December 31, 2018:

<u>Investment Type</u>	<u>% of Total</u>
Negotiable Certificates of Deposit	100.00%

4. GRANTS-IN-AID AND TAX RECEIPTS

Grants in Aid

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

Property Taxes

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

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

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

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

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

The full tax rate for all Library operations for the year ended December 31, 2018, was \$1.30 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Real Property	\$2,169,284,120
Public Utility Personal Property	<u>192,020,950</u>
Total	<u><u>\$2,361,305,070</u></u>

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

5. DEFINED BENEFIT PENSION PLAN

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

5. DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution to OPERS was \$219,243 for fiscal year 2018.

6. POSTEMPLOYMENT BENEFITS

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. Please see the Plan Statement in the OPERS 2017 CAFR for details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.00% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2018, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2018 was 4.0%.

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

6. POSTEMPLOYMENT BENEFITS (Continued)

The employer contributions that were used to fund post-employment benefits for the year ended December 31, 2018, was \$0.

7. DEBT

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

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

Included in the \$3,355,000 2014 Library Improvement Refunding Bonds issued was \$30,000 in capital appreciation bonds. These bonds accreted to a maturity amount of \$370,000 which was paid on December 1, 2017.

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

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

A summary of bond transactions for the year ended December 31, 2018 follows:

	Interest Rate	Balance 12/31/17	Additions	Reductions	Balance 12/31/18	Due Within One Year
Governmental Activities:						
2014 Library Improvement Refunding Bonds	2.580%	\$3,170,000	\$0	\$365,000	\$2,805,000	\$375,000
Total 2014 Library Improvement Bonds		3,170,000	0	365,000	2,805,000	375,000
2015 Dalton Addition/Renovation Loan	2.90%	1,055,937	0	71,128	984,809	73,219
Total Debt		\$4,225,937	\$0	\$436,128	\$3,789,809	\$448,219

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

7. DEBT (Continued)

2014 Library Improvement Refunding Bonds			
Year Ending December 31	Refunding Bonds		Total
	Principal	Interest	
2019	\$375,000	\$72,650	\$447,650
2020	380,000	65,150	445,150
2021	390,000	57,550	447,550
2022	400,000	47,800	447,800
2023	410,000	37,800	447,800
2024-2025	850,000	38,400	888,400
Total	\$2,805,000	\$319,350	\$3,124,350

2015 Dalton Loan			
Year Ending December 31	Principal	Interest	Total
2019	\$73,219	\$27,591	\$100,810
2020	75,370	25,440	100,810
2021	77,585	23,225	100,810
2022	79,866	20,944	100,810
2023	82,213	18,597	100,810
2024-2028	448,757	55,292	504,049
2029-2030	147,799	3,416	151,215
Total	\$984,809	\$174,505	\$1,159,314

8. LEASE OBLIGATIONS

The Library has entered into the following operating lease agreements:

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

Copier Leases – The Library leases copiers for the Operations Center. One for a cost of \$16,641 per year which expires in September of 2022 and another for a cost of \$11,137 per year which expires in April of 2022.

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

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

9. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. During 2018, the Library contracted with the Cincinnati Insurance Company for various types of insurance coverage as follows:

Coverage	Limit
Commercial Property:	
Building	\$21,065,047
Personal Property	2,300,803
Automobile Liability:	
Bodily Injury (each occurrence)	1,000,000
Uninsured Motorists	1,000,000
Public Officials Liability	2,000,000
Commercial Umbrella Liability:	
Each Occurrence	1,000,000
General Aggregate	2,000,000
Employee Benefit Liability:	
Each Employee	1,000,000
Aggregate	3,000,000
Employers Liability Defense:	
Bodily Injury – Each Employee	1,000,000
Aggregate	1,000,000

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

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

10. EMPLOYEE BENEFITS

A. Deferred Compensation Plan

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

B. Compensated Absences

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

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

Wayne County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

11. FUND BALANCES

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

Fund Balances	General	Building and Repair	All Other Governmental	Total Governmental Funds
Nonspendable				
Endowments	\$0	\$0	\$24,200	\$24,200
Restricted for				
Permanent Expendable	0	0	13,601	13,601
Other Purposes	0	0	945	945
Capital Improvements	0	0	0	0
Debt Services Payments	0	0	223,411	223,411
Total Restricted	<u>0</u>	<u>0</u>	<u>237,957</u>	<u>237,957</u>
Committed to				
Capital Improvements	0	522,884	149,884	672,768
Technology	0	0	19,261	19,261
Vehicle Replacement	0	0	73,688	73,688
Other Purposes	216,244	0	55,674	271,918
Total Committed	<u>216,244</u>	<u>522,884</u>	<u>298,507</u>	<u>1,037,635</u>
Assigned to				
2019 Appropriations	118,814	0	0	118,814
Other Purposes	141,970	0	0	141,970
Total Assigned	<u>260,784</u>	<u>0</u>	<u>0</u>	<u>260,784</u>
Unassigned	<u>2,196,626</u>	<u>0</u>	<u>0</u>	<u>2,196,626</u>
Total Fund Balances	<u>\$2,673,654</u>	<u>\$522,884</u>	<u>\$560,664</u>	<u>\$3,757,202</u>

12. COMMITMENTS

A. Encumbrances

The Library utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reported as assigned fund balance for subsequent-year expenditures. As of December 31, 2018, the Library's significant commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Outstanding Balance</u>
Major Funds:	
General Fund	\$141,970
Building and Repair	49,049
Non-major Funds:	
Rittman Construction	50,426
Technology	2,614
Total	<u>\$244,059</u>

13. INTERFUND TRANSFERS

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. A transfer was made in the amount of \$60,028 from the Dalton Addition Nonmajor Capital Projects Fund to the Rittman Construction Nonmajor Capital Projects Fund. This transfer was to close out the Dalton Addition Fund and move the remaining funds to another capital project fund for future construction projects.

14. NEW ACCOUNTING PRINCIPLES

For the fiscal year 2018, the Library has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017*.

GASB Statement No. 75 (GASB 75) establishes accounting and financial reporting requirements for governmental employers who have other post-employment benefits (OPEB) plans. The implementation of GASB Statement No. 75 did not have an effect on the financial statements of the Library as the Library reports on the modified cash basis of accounting and the net OPEB is not recorded in the accompanying financial statements; however, certain additional disclosures have been made in the notes to the basic financial statements.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 did not have an effect on the financial statements of the Library.

**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**

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

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, each major fund, and the remaining aggregate fund information of the Wayne County Public Library, Wayne County (the Library) as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated May 15, 2019, 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.

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, 2019

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OHIO AUDITOR OF STATE KEITH FABER



WAYNE COUNTY PUBLIC LIBRARY

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 11, 2019**