

Portsmouth Public Library
Statement of Net Assets - Modified Cash Basis
December 31, 2016

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Cash Equivalents	\$1,599,090.58		\$1,599,090.58
Cash and Cash Equivalents in Segregated Accounts	\$0.00		\$0.00
Cash and Cash Equivalents with Fiscal/Escrow Agents	\$0.00		\$0.00
Investments	<u>\$2,872,340.95</u>		<u>\$2,872,340.95</u>
<i>Total Assets</i>	<u><u>\$4,471,431.53</u></u>	<u><u>\$0</u></u>	<u><u>\$4,471,431.53</u></u>
Net Assets			
Restricted for:			
Capital Projects	\$790,262.33		\$790,262.33
Debt Service	\$0.00		\$0.00
Permanent Fund Purpose:			
Expendable	\$0.00		\$0.00
Nonexpendable	\$0.00		\$0.00
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Other Purposes	\$22,296.60		\$22,296.60
Unrestricted	<u>\$3,658,872.60</u>		<u>\$3,658,872.60</u>
<i>Total Net Assets</i>	<u><u>\$4,471,431.53</u></u>	<u><u>\$0</u></u>	<u><u>\$4,471,431.53</u></u>

See accompanying notes to the basic financial statements

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

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
Current:							
Library Services	\$2,895,671.47	\$47,721.00	0	0	(\$2,847,950.47)	\$0	(2,847,950.47)
Capital Outlay	\$116,310.62	\$0.00	0	0	(\$116,310.62)	0	(116,310.62)
Debt Service:							
Principal Retirement					\$0.00	0	0.00
Interest and Fiscal Charges					\$0.00	0	0.00
<i>Total Governmental Activities</i>	<u>\$3,011,982.09</u>	<u>\$47,721.00</u>	<u>0</u>	<u>0</u>	<u>(\$2,964,261.09)</u>	<u>0</u>	<u>(2,964,261.09)</u>
Business-Type Activates					\$0.00	0	0.00
					\$0.00	0	0.00
<i>Total Business-Type Activities</i>	<u>\$0.00</u>	<u>\$0.00</u>	<u>0</u>	<u>0</u>	<u>\$0.00</u>	<u>0</u>	<u>0.00</u>
<i>Total Primary Government</i>	<u>\$3,011,982.09</u>	<u>\$47,721.00</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$2,964,261.09)</u>	<u>0</u>	<u>(2,964,261.09)</u>
General Receipts:							
Property Taxes Levied for General Purposes							976,503.66
Property Taxes Levied for Library Construction							0.00
Other Local Taxes - Intergovernmental (PLF)							2,467,990.92
Unrestricted Gifts and Contributions							11,423.61
Grants/Entitlements not Restricted to Specific Programs							0.00
Sale of Bonds							0.00
Sales of Notes							0.00
Other Debt Proceeds							0.00
Premium and Accrued Interest on Debt							0.00
Discount on Debt							0.00
Sale of Capital Assets							0.00
Earnings on Investments							12,228.79
Miscellaneous							20,622.92
Contributions to Permanent Fund							0.00
Special Item							0.00
Extraordinary Item							0.00
Transfers							0.00
Advances							0.00
<i>Total General Receipts, Contributions to Permanent Fund, Special Item, Extraordinary Item, Transfers and Advances</i>					<u>0</u>	<u>0</u>	<u>3,488,769.90</u>
Change in Net Assets					(2,964,261)	0	524,508.81
<i>Net Assets Beginning of Year</i>							<u>3,946,922.72</u>
<i>Net Assets End of Year</i>					<u>(\$2,964,261)</u>	<u>\$0</u>	<u>4,471,431.53</u>

See accompanying notes to the basic financial statements

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

	General	Building & Repair Fund	Major Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,576,793.98			\$22,296.60	\$1,599,090.58
Cash and Cash Equivalents in Segregated Accounts					\$0.00
Cash and Cash Equivalents with Fiscal/Escrow Agents					\$0.00
Investments	\$2,082,078.62	\$790,262.33			\$2,872,340.95
<i>Total Assets</i>	<u>\$3,658,872.60</u>	<u>\$790,262.33</u>	<u>\$0</u>	<u>\$22,296.60</u>	<u>\$4,471,431.53</u>
Fund Balances					
Nonspendable					\$0.00
Restricted					\$0.00
Committed		\$790,262.33		\$22,296.60	\$812,558.93
Assigned	\$817,477.72				\$817,477.72
Unassigned (Deficit)	\$2,841,394.88				\$2,841,394.88
<i>Total Fund Balances</i>	<u>\$3,658,872.60</u>	<u>\$790,262.33</u>	<u>\$0</u>	<u>\$22,296.60</u>	<u>\$4,471,431.53</u>

See accompanying notes to the basic financial statements

Portsmouth Public Library
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities - Modified Cash Basis
December 31, 2016*

Total Governmental Fund Balances	\$4,471,431.53
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*Amounts reported for governmental activities in the statement of
net assets are different because*

Governmental activities' net assets include the internal service
funds' cash and cash equivalents. The proprietary funds'
statements include these assets.

<i>Net Assets of Governmental Activities</i>	<u>\$4,471,431.53</u>
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See accompanying notes to the basic financial statements

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

	General	Building & Repairs Fund	Major Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$976,503.66				\$976,503.66
Public Library					\$0.00
Intergovernmental	\$2,467,990.92				\$2,467,990.92
Patron Fines and Fees	\$47,721.00				\$47,721.00
Services Provided to Other Entities					\$0.00
Contributions, Gifts and Donations	\$11,423.61				\$11,423.61
Earnings on Investments	\$12,212.05			\$16.74	\$12,228.79
Miscellaneous	\$20,622.92				\$20,622.92
<i>Total Receipts</i>	<u>\$3,536,474.16</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$16.74</u>	<u>\$3,536,490.90</u>
Disbursements					
Current:					
Library Services:	\$2,895,671.47				\$2,895,671.47
Capital Outlay	\$116,310.62				\$116,310.62
Debt Service:					
Principal Retirement					\$0.00
Interest and Fiscal Charges					\$0.00
<i>Total Disbursements</i>	<u>\$3,011,982.09</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$3,011,982.09</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>\$524,492.07</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$16.74</u>	<u>\$524,508.81</u>
Other Financing Sources (Uses)					
Sale of Bonds					\$0.00
Sale of Notes					\$0.00
Other Debt Proceeds					\$0.00
Premium and Accrued Interest on Debt					\$0.00
Discount on Debt					\$0.00
Sale of Capital Assets					\$0.00
Transfers In					\$0.00
Transfers Out					\$0.00
Advances In					\$0.00
Advances Out					\$0.00
Other Financing Sources					\$0.00
Other Financing Uses					\$0.00
<i>Total Other Financing Sources (Uses)</i>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Special and Extraordinary Items					
Special Item - Describe or refer to Notes					\$0.00
Extraordinary Item - Describe or refer to Notes					\$0.00
<i>Net Change in Fund Balances</i>	<u>\$524,492.07</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$16.74</u>	<u>\$524,508.81</u>
<i>Fund Balances Beginning of Year</i>	<u>\$3,134,380.53</u>	<u>\$790,262.33</u>		<u>\$22,279.86</u>	<u>\$3,946,922.72</u>
<i>Fund Balances End of Year</i>	<u>\$3,658,872.60</u>	<u>\$790,262.33</u>	<u>\$0.00</u>	<u>\$22,296.60</u>	<u>\$4,471,431.53</u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds \$524,508.81

*Amounts reported for governmental activities in the
statement of activities are different because*

Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund expenditures and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements).

Change in Net Assets of Governmental Activities \$524,508.81

See accompanying notes to the basic financial statements

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

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$900,000.00	\$976,503.66	\$976,503.66	\$0
Public Library			\$0.00	0
Intergovernmental	\$2,535,239.23	\$2,467,990.92	\$2,467,990.92	0
Patron Fines and Fees	\$61,000.00	\$47,721.00	\$47,721.00	0
Services Provided to Other Entities	\$0.00		\$0.00	0
Contributions, Gifts and Donations	\$15,000.00	\$11,423.61	\$11,423.61	0
Earnings on Investments	\$4,000.00	\$12,212.05	\$12,212.05	0
Miscellaneous	\$4,000.00	\$20,622.92	\$20,622.92	0
<i>Total Receipts</i>	<u>\$3,519,239.23</u>	<u>\$3,536,474.16</u>	<u>\$3,536,474.16</u>	<u>0</u>
Disbursements				
Current:				
Library Services	\$3,255,000.00	\$2,895,671.47	\$2,895,671.47	0
Capital Outlay	\$264,239.23	\$116,310.62	\$116,310.62	0
Debt Service:				
Principal Retirement				0
Interest and Fiscal Charges				0
<i>Total Disbursements</i>	<u>\$3,519,239.23</u>	<u>\$3,011,982.09</u>	<u>\$3,011,982.09</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>\$0.00</u>	<u>\$524,492.07</u>	<u>\$524,492.07</u>	<u>0</u>
Other Financing Sources (Uses)				
Sale of Bonds				0
Sale of Notes				0
Other Debt Proceeds				0
Premium and Accrued Interest on Debt				0
Discount on Debt				0
Sale of Capital Assets				0
Transfers In				0
Transfers Out				0
Advances In				0
Advances Out				0
Other Financing Sources				0
Other Financing Uses				0
<i>Total Other Financing Sources (Uses)</i>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>0</u>
Special and Extraordinary Items				
Special Item - Describe or refer to Notes				0
Extraordinary Item - Describe or refer to Notes				0
<i>Net Change in Fund Balance</i>	<u>\$0.00</u>	<u>\$524,492.07</u>	<u>\$524,492.07</u>	<u>0</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	\$1,969,353.89	\$1,969,353.89	\$1,969,353.89	0
Prior Year Encumbrances Appropriated	\$1,165,026.64	\$1,165,026.64	\$1,165,026.64	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$3,134,380.53</u>	<u>\$3,658,872.60</u>	<u>\$3,658,872.60</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

Portsmouth Public Library
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Building & Repair Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes				\$0
Public Library				0
Intergovernmental				0
Patron Fines and Fees				0
Services Provided to Other Entities				0
Contributions, Gifts and Donations				0
Earnings on Investments				0
Miscellaneous				0
<i>Total Receipts</i>	0	\$0.00	\$0.00	0
Disbursements				
Current:				
Library Services:				
Public Services and Programs				0
Collection Development and Processing				0
Support Services:				
Facilities Operation and Maintenance				0
Information Services				0
Business Administration				0
Capital Outlay				0
Debt Service:				
Principal Retirement				0
Interest and Fiscal Charges				0
<i>Total Disbursements</i>	0	\$0.00	\$0.00	0
<i>Excess of Receipts Over (Under) Disbursements</i>	0	\$0.00	\$0.00	0
Other Financing Sources (Uses)				
Sale of Bonds				0
Sale of Notes				0
Other Debt Proceeds				0
Premium and Accrued Interest on Debt				0
Discount on Debt				0
Sale of Capital Assets				0
Transfers In				0
Transfers Out				0
Advances In				0
Advances Out				0
Other Financing Sources				0
Other Financing Uses				0
<i>Total Other Financing Sources (Uses)</i>	0	\$0.00	\$0.00	0
Special and Extraordinary Items				
Special Item - Describe or refer to Notes				0
Extraordinary Item - Describe or refer to Notes				0
<i>Net Change in Fund Balance</i>	0	\$0.00	\$0.00	0
<i>Unencumbered Fund Balance Beginning of Year</i>		\$790,262.33	\$790,262.33	0
Prior Year Encumbrances Appropriated				0
<i>Unencumbered Fund Balance End of Year</i>	\$0	\$790,262.33	\$790,262.33	\$0

See accompanying notes to the basic financial statements

Portsmouth Public Library
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2016

	Business-Type Activities			Governmental
	Major	Major	Total	Activity
	<u>Enterprise Fund</u>	<u>Enterprise Fund</u>	<u>Enterprise Funds</u>	<u>Internal Service</u>
Assets				
Equity in Pooled Cash and Cash Equivalents			\$0	\$1,599,090.58
Cash and Cash Equivalents in Segregated Accounts			0	
Cash and Cash Equivalents with Fiscal/Escrow Agents			0	
Investments			0	\$2,872,340.95
<i>Total Assets</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,471,431.53</u>
Net Assets				
Restricted for:				
Debt Service			\$0	
Other Purposes			0	\$22,296.60
Capital Projects			0	\$790,262.33
			0	
Unrestricted			0	\$3,658,872.60
<i>Total Net Assets</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,471,431.53</u>

See accompanying notes to the basic financial statements



PORTSMOUTH
PUBLIC
LIBRARY

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

Prepared by: Leah Jenkins, Fiscal Officer

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

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the Library have been prepared on a modified cash basis of accounting. This 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 balance 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 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 financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

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 source of revenue has been from transfers from the General Fund.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

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

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

D. Budgetary Process

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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

E. Cash and Cash Equivalents

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

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

The Library's investment in federal agency securities are reported at cost. The Library's investments in STAR Ohio (the State Treasurer's Investment Pool) and money market mutual funds are reported at the value of their shares, which approximates cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund and other governmental funds during 2016 amount to \$12,212.05 and \$16.74, respectively.

F. Net Position

Net position represents the difference between assets and liabilities. However, under the modified cash basis of accounting no liabilities are recorded. Therefore, Equity in Pooled Cash and Cash Equivalents plus Investments equal Net Position. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for other purposes reflects balances in funds that account for grant monies.

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

No restricted net position is restricted by enabling legislation.

G. Fund Balance

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

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-Term Obligations

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

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

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.

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. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than two hundred seventy days after purchase; and
9. Bankers' acceptance for a period not to exceed one hundred and eighty days and in an amount not to exceed ten percent of the Library's total average portfolio.

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

3. DEPOSITS AND INVESTMENTS (Continued)

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, any undeposited cash on hand is included as part of “*Equity in Pooled Cash and Cash Equivalents*” on the financial statements.

Deposits - Custodial credit risk for deposits is the risk that in the event of 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 and the bank balance are covered by federal depository insurance and any 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. The Library does not have an investment policy addressing custodial credit risk for deposits beyond the requirements of the Ohio Revised Code. 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.

Investments – The Library’s investment policy is limited to complying with state statute. As of December 31, 2016, the Library had \$554,619.01 with STAR Ohio and \$2,317,721.94 with STAR PLUS. The State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment fund that allows government subdivisions—from municipalities to school districts—to invest funds in a highly rated public investment pool. Since 1995, it has maintained Standard & Poor’s highest rating and given government subdivisions greater returns on their invested funds. STAR Plus is a cash management program that provides Ohio political subdivisions with access to hundreds of FDIC insured banks via one convenient account, offering participants full FDIC insurance up to \$50 million per account, a competitive yield, and twice weekly liquidity. The State Treasurer’s office has endorsed this new innovative program as a secure investment option for public funds managers.

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Public Library Fund (PLF). The PLF is allocated to each county based on the county’s prior intangibles tax of PLF revenues and its population. The County Budget Commission allocates these funds to the Library based on its needs such as the construction of new library buildings, improvements, operation, maintenance, or other expenses. The receipts from the Public Library Funds are reported as intergovernmental receipts in the accompanying financial statements.

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Property and Other Local Taxes Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

5. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
- 1) The Traditional Pension Plan – a cost-sharing multiple-employer defined benefit pension plan.
 - 2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
 - 3) The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.
- B. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2016, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety officers participate in only the Traditional Pension Plan.

The member contribution rates for 2016, 2015, and 2014 were 10.0%, 10.0%, and 10.0%, respectively, for members in state and local classifications.

The employer contribution rates were 14.0%, 14.0%, and 14.0%, respectively, for state and local employers for the years ended December 31, 2016, 2015, and 2014 for the Library.

The Library's contributions to OPERS for the years ended December 31, 2016, 2015, and 2014 were \$203,975, \$199,176, and \$191,258, respectively, which were equal to the required contributions for those years.

6. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance. OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

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

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

- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer's contributions are expressed as a percentage of the earnable salary of active members. In 2016, the Library contributed at 14.0% of earnable salary for local government employer units. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post-employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 2.0% during calendar year 2016. The

6. POSTEMPLOYMENT BENEFITS (Continued)

Ohio Public Employees Retirement System (Continued)

portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 2.0% during calendar year 2015. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0% during calendar year 2014. Effective January 1, 2017, the portion of employer contributions allocated to health care decreases to 1.0% for both plans, as recommended by the OPERS' Actuary. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

- C. The employer contributions that were used to fund post-employment benefits were \$29,127.63 for 2016, \$28,442.29 for 2015, and \$27,311 for 2014.

7. DEBT

The Library has no long-term debt to be reported on the Financial Statements.

8. LEASE OBLIGATIONS

The Library has entered into the following operating lease agreements:

Copier Leases – The Library leases several copiers for a total cost of \$6,143.14 per year.

Postage Meter – The Library leases a postage meter for a total cost of \$1,428 for the year.

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 2014, the Library contracted with the Cincinnati Insurance Company for various types of insurance coverage as follows:

<u>Coverage</u>	<u>Limit</u>
Commercial Property:	
Building Limit	\$8,300,000
Personal Property	\$900,000
Commercial Umbrella Liability:	
Each Occurrence	\$6,000,000
General Aggregate	\$6,000,000

Settled claims have not exceeded coverage in any of the last three years. The Library had no significant changes to its coverage from the prior year.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries.

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

9. RISK MANAGEMENT (Continued)

This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

10. INTERFUND TRANSFERS

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

There were no interfund transfers in 2016

	Transfers In	Transfers Out
General Fund	-	-
Building & Repair Fund	-	-
Totals	-	-

11. EMPLOYEE BENEFITS

A. Deferred Compensation Plan

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

B. Compensated Absences

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

Regular full-time employees earn 4.62 hours of sick leave on a biweekly basis. Unused sick leave may be accumulated up to a 990-hour limit and carried over from year to year. Unused sick time is not paid out at the time of termination of employment.

12. FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds as of December 31, 2016 are presented below:

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

12. FUND BALANCES (Continued)

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,576,793.98		\$22,296.60	\$1,599,090.58
Cash and Cash Equivalents in Segregated Accounts				\$0.00
Cash and Cash Equivalents with Fiscal/Escrow Agents				\$0.00
Investments	\$2,082,078.62	\$790,262.33		\$2,872,340.95
<i>Total Assets</i>	\$3,658,872.60	\$790,262.33	\$22,296.60	\$4,471,431.53
Fund Balances				
Nonspendable				\$0.00
Restricted				\$0.00
Committed		\$790,262.33	\$22,296.60	\$812,558.93
Assigned	\$817,477.72			\$817,477.72
Unassigned (Deficit)	\$2,841,394.88			\$2,841,394.88
<i>Total Fund Balances</i>	\$3,658,872.60	\$790,262.33	\$22,296.60	\$4,471,431.53

13. NEW ACCOUNTING PRINCIPLES

In June 2013, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined; while the precise impact is not known, it is deemed likely that this pronouncement would have a material impact on governments who prepare their financial statements in accordance with accounting principles generally accepted in the United States of America. Since the Library currently reports on the modified cash basis of accounting, there is not anticipated to be any effect on the financial statements.

14. COMMITMENTS

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

<u>Fund</u>	<u>Outstanding Balance</u>
General Fund	\$817,477.72