

ENOCH PRATT FREE LIBRARY

A COMPONENT UNIT OF THE
CITY OF BALTIMORE, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2017



ENOCH PRATT *free* LIBRARY



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FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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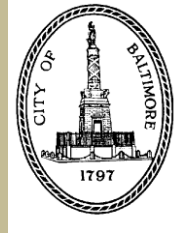
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INTRODUCTORY SECTION

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CITY OF BALTIMORE

PUGH, CATHERINE, Mayor



ENOCH PRATT FREE LIBRARY

400 Cathedral Street
Baltimore, Maryland 21201-4484

March 5, 2018

Enoch Pratt Free Library Board of Trustees

Enclosed is the Enoch Pratt Free Library's (the Library) Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2017. The CAFR was prepared by the Library's Business Office, which is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and changes in financial position of the Library; and, that all disclosures necessary to enable the reader to gain the maximum understanding of the Library's financial affairs have been provided.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the Library's organization chart, a list of its principal officials and a Neighborhood Service Areas map. The financial section includes the Independent Auditor's Report, Management's Discussion and Analysis, and basic financial statements with related notes. The statistical section provides various demographic and Library usage tables generally presented on a multi-year basis.

Management has provided a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Library's MD&A can be found immediately following the report of the independent auditor in the Financial Section of the CAFR.

Reporting Entity

The Library was created by the Maryland General Assembly through Chapter 181 of the Acts of 1882. The legislation enabled the Mayor and City Council of Baltimore to accept a donation from Enoch Pratt for the establishment of and perpetual endowment of a Free Public Library to be known as "The Enoch Pratt Free Library of Baltimore City." It also provided for the appointment and incorporation of Trustees for the management of the Library. The Library's bylaws call for no fewer than nine and no more than fifty Trustees who must be residents of Baltimore City. Trustees serve for life or until resignation. The Trustees appoint the Chief Executive Officer of the Library who is responsible for the administration of the Library. Shortly after the Library was created, the system was composed of a Central Library and four branches. Today, the Library is composed of the Central Library and 21 branches. It also provides outreach services through mobile services and deposit collections.

In addition to its role as the public library for Baltimore City residents, the Library was designated by the Maryland General Assembly in 1971 as the State Library Resource Center (SLRC). The SLRC is responsible for providing and expanding access to specialized library materials and services that are necessary for coordinated, efficient, and economical library services in the State of Maryland.

Economic Conditions and Outlook

Funding from Baltimore City's General Fund accounted for 32.88% of the Library's total revenue. The State of Maryland provided 36% of the Library's total revenue in several categories. First, it provided \$ 6.10 million in Library per capita aid, which is provided to all jurisdictions in the State, based on a formula that takes into account population and wealth of the jurisdiction. Second, it provided approximately \$10.1 million for the Library's role as the SLRC based on a formula that provides \$1.69 for each of Maryland's citizens and in support of capital improvements at branches. Finally, the State provided approximately \$ 2.20 million in direct support of retirement costs of certain library employees who are members of the State's Pension and Retirement Systems.

Gifts, Contributions and Bequests accounted for 10.18% of the Library's total revenue.

The overall demographics of Baltimore City have changed very little over the last several years, SLRC per capita in Fiscal Year 2017 is \$1.69 and is expected to increase another \$.04 next year as well. City funding in Fiscal Year 2017 was fairly stable however based on early Fiscal Year 2018 revenue estimates; it appears the City's financial outlook contains some projected deficits. No retrenchment is projected at this point. Private funding has assumed greater importance during the Local and State funding ups and downs, and this is expected to continue in the future.

Major Activities

One of the major goals of the Library is to make facility improvements that result in welcoming and highly functional libraries. To that end the Library worked to be complete planning for the renovation of Hampden branch with construction expected in early 2018. Phase I of the planned renovation of the Central Library/State Library Resource Center was more than 50% completed in fiscal year 2017 and the total project is still on target to be completed in spring 2019.

Another major activity was the development of a plan to expand hours of service at Central and in neighborhood libraries as the result of a \$3.0 million grant from the State to be matched by \$750,000 from the City. The form which was submitted to the State in June 2017, was prepared through significant community input received via four listening sessions held throughout the city, printed surveys distributed at all library locations, and surveys completed online. Implementation of the plan required the creation of 47 full positions which have been approved by the Board of Estimates. Recruitment is completed and implementation of Phase I of the plan began in November, 2017.

Perhaps the most important activity was the recruitment and hiring of a new Library CEO, Ms. Heidi Daniel who was hired by the Library Board in the Spring of 2017.

Statistics

The following fiscal year 2017 statistics are provided for information on library usage:

Circulation - total system circulation was 991,343.

In-Library Usage of materials was estimated to be an additional 317,806.

New and renewal registration of borrowers was 48,370.

Reference questions handled, and readers assisted totaled 1,597,502.

Approximately 128,828 customers attended Library programs and 26,203 persons took advantage of our meeting rooms for community and other events.

Approximately 1.55 million persons visited the Library in fiscal year 2017.

The Library's Web site experienced 1.85 million user sessions with nearly 3.7 million-page views.

The Library's public access catalog (PAC) experienced nearly 2.8 million-page views.

SAILOR, the statewide library network aimed at providing free access to electronic information to all Marylanders, experienced over 13.5 million database searches.

Acknowledgements

The preparation of this report could not be accomplished without the dedicated efforts of the Library's accounting staff and others in the Business Office. We thank them and all others who contributed to its preparation.


This report is being forwarded to the Baltimore City Board of Estimates who will have an opportunity to review the report. Hopefully the Board of Estimates and members of the public will find this report informative and helpful.

Finally, we would like to thank the Board of Trustees for their continued interest and support in planning and conducting the financial operations of the Library in a responsible and progressive manner.

Respectively submitted,



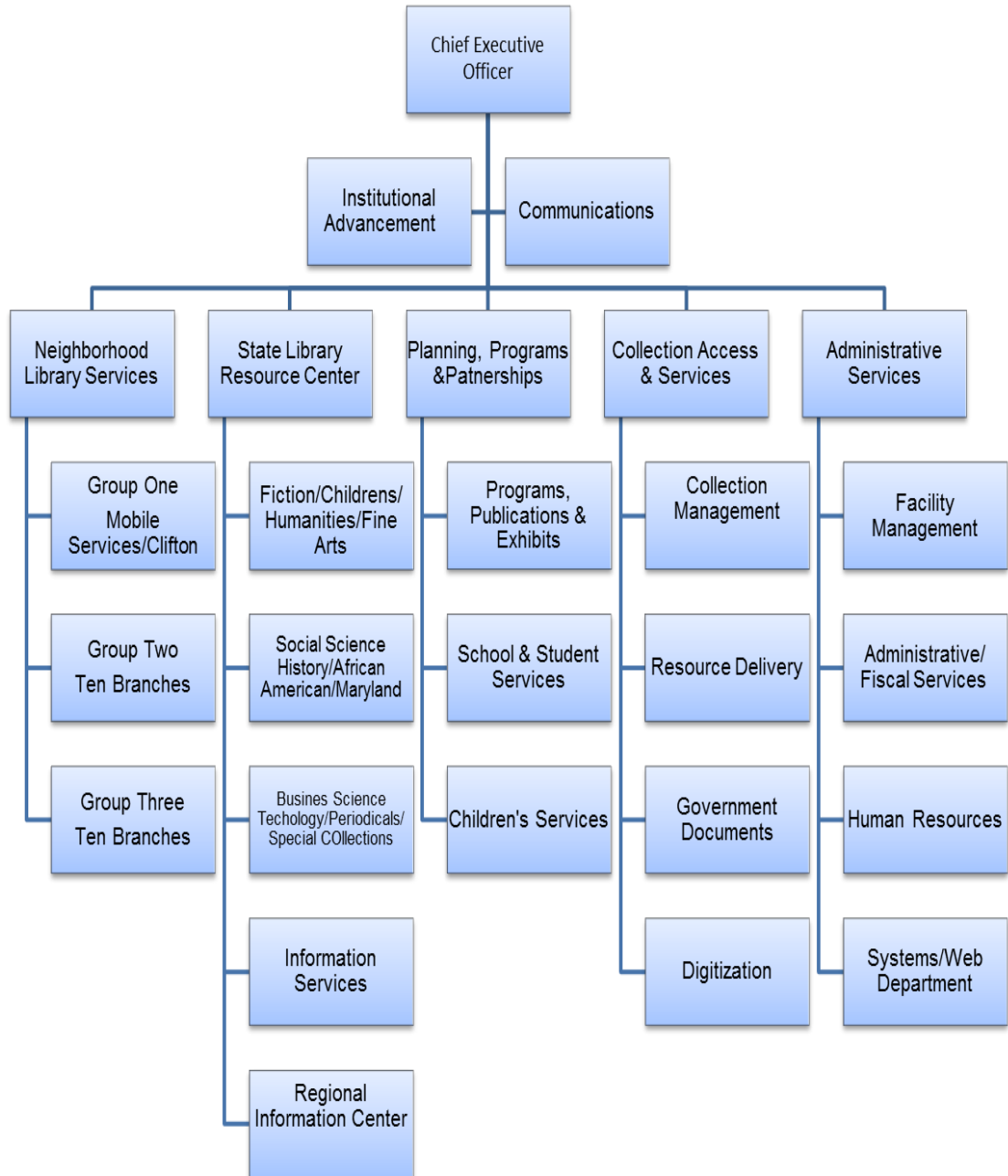
Gordon E. Krabbe
Director, Administrative Services



Stanley Estremsky, CPA
Chief Financial Officer

Enoch Pratt Free Library

Organization Chart



List of Principal Officials
Board of Trustees (T)/Directors (D)

Chair.....	Benjamin Rosenberg, Esq. (T/D)
Immediate Past Chair.....	Pat Lasher (T/D)
Vice Chair BOT.....	Kate Rawson Powell (T/D)
Vice Chair BOD.....	Verna Jones-Rodwell (D)
Vice Chair BOD.....	Allan Jensen (T/D)
Treasurer.....	Jacob Hodes (D)
Secretary.....	Mychelle Farmer, M.D. (T/D)
Trustee/Director.....	Virginia K. Adams
Trustee/Director.....	Kenneth S. Aneckstein
Director.....	Lidia Paz-Baker
Trustee.....	Stephanie M. Beran
Director.....	Sandra Berman
Trustee/Director.....	Mary H. DeKuyper
Director.....	Edward S. Delaplaine, II
Director.....	Derrick Dickens
Trustees.....	Nancy Dorman
Trustee/Director.....	Christine M. Espenshade
Director.....	Susan K. Gauvey
Trustee/Director.....	Sandra P. Gohn, Esq.
Director.....	Nancy Hackerman
Trustee/Director.....	Robert Hillman
Director.....	Edward N. Kane Jr.
Trustee/Director.....	Mark Kaufman
Trustee/Director.....	Antonia Klima Keane
Trustee/Director.....	Alexander W. Koff, Esq.
Director.....	Darielle Dunn Linehan
Director.....	Lisa Lipsky
Director.....	Sayra Wells Meyerhoff
Trustees.....	James Dabney Miller
Trustee/Director.....	Elizabeth K. Moser
Trustee/Director.....	Vernon a. Reid
Director.....	Beulah Sabundayo
Trustee/Director.....	Paul S. Sarbanes
Trustee/Director.....	Jeffrey H. Scherr
Director.....	Robert L. Waldman Esq.
Director.....	Anne Winter West

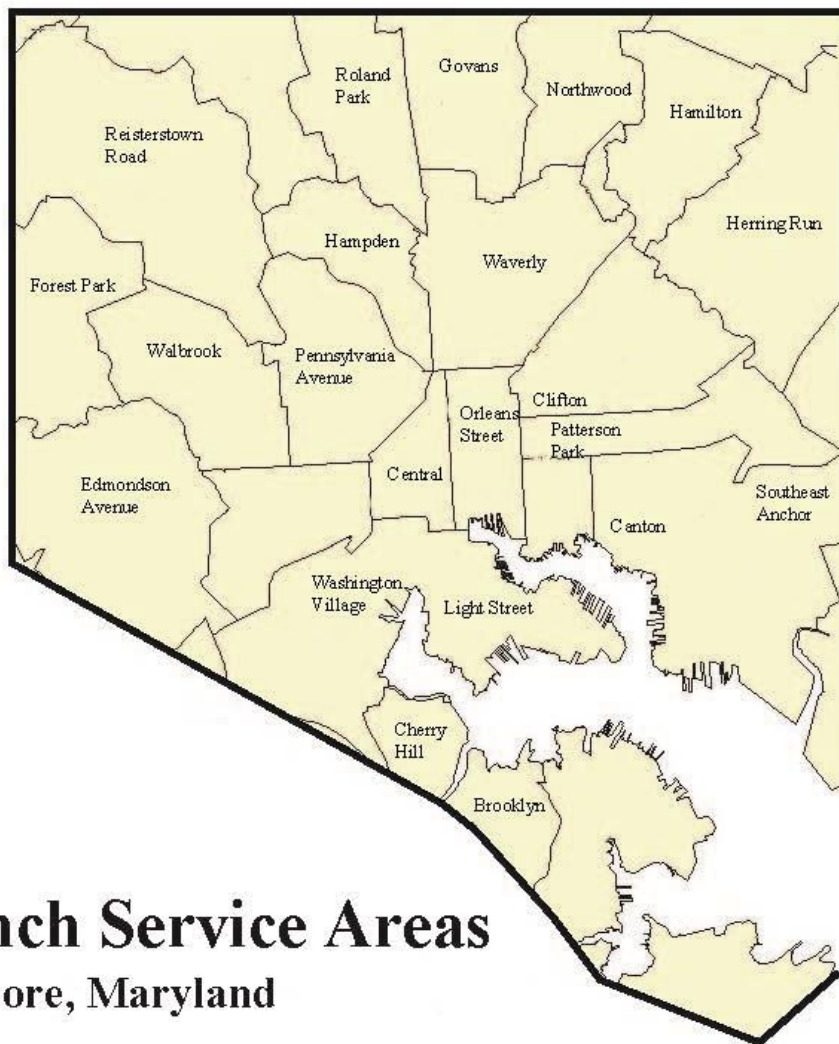
Administrative Staff

Heidi Daniel	Chief Executive Officer
Gordon Krabbe	Director, Administrative Services
Stanley Estremsky	Chief Financial Officer
Cynthia Monahan	Director of Institutional Advancement
Robin Moran.....	Chief of Human Resources
John Richardson	Manager, Facility Operations
Vacant.....	Chief, Planning, Programs & Partnerships
Judith Cooper	Chief of Programs, Exhibits, Publicity
Meghan Mc Corkell	Media Relations Coordinator
Deborah Taylor.....	Coordinator, School and Student Services
Eunice Anderson	Chief of Neighborhood Services
Wesley Wilson.....	Chief of State Library Resource Center
Wendy Allen.....	Chief of Collection Access & Services



ENOCH PRATT *free* LIBRARY

your journey starts here



Branch Service Areas

Baltimore, Maryland

www.prattlibrary.org

606125

FINANCIAL SECTION

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CITY OF BALTIMORE

JOAN M. PRATT, CPA
Comptroller



DEPARTMENT OF AUDITS AUDREY ASKEW, CPA

Deputy City Auditor
100 N. Holiday Street
Room 321, City Hall
Baltimore, MD 21202
Telephone: 410-396-4783
Telefax: 410-545-3961

INDEPENDENT AUDITOR'S REPORT

To the Honorable Joan M. Pratt, Comptroller
and other Members of the
Board of Estimates
City of Baltimore, MD

To the Board of Trustees of the
Enoch Pratt Free Library
Baltimore, MD

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Enoch Pratt Free Library (the Library), a blended component unit of the City of Baltimore, Maryland, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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. 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 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Library as of June 30, 2017, and the respective budgetary comparison of the General Fund and Special Revenue – Other Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2018, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.



Audrey Askew, CPA
Deputy City Auditor

March 5, 2018

ENOCH PRATT FREE LIBRARY
Management's Discussion and Analysis
For the Year Ended June 30, 2017

As management of the Enoch Pratt Free Library (the Library), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements, which can be found on pages 10 through 32 of this report.

Financial Highlights

- The assets of the Library exceeded its liabilities at the close of fiscal year 2017 by \$117,148,500 (*net assets*). Of this amount, \$ 27,507,500 (*expendable net assets*) may be used to meet the Library's ongoing obligations to citizens and creditors.
- The Library's total net assets increased by \$628,200.
- As of the close of fiscal year 2017, the Library's governmental funds reported combined ending fund balances of \$47,591,800. Approximately 63 percent of this total amount, \$30,031,000 is available for spending (*restricted, assigned and unassigned fund balances*).
- The Library's liability for compensated absences decreased by \$91,300, or 2.18 % during the current fiscal year.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise three components: 1) entity-wide financial statements, 2) governmental fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Entity-wide financial statements. *The entity-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* presents information on all of the Library's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net assets changed during fiscal year 2017. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the entity-wide financial statements report functions of the Library that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The Library has

no functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The Library is incorporated in the basic financial statements of the City of Baltimore as a blended component unit. The Library's entity-wide financial statements include only the financial position and results of operation of the Library itself and are not intended to present fairly the financial position of the City of Baltimore taken as a whole. The Library has no component units.

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

Governmental 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. All of the funds of the Library are governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the entity-wide financial statements. However, unlike the entity-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains four individual governmental funds (general, special revenue - grants, special revenue – other, and permanent). Information on all four funds is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

The basic governmental fund financial statements can be found on pages 12 to 14 of this report.

Proprietary funds. The Library maintains no proprietary funds.

Fiduciary funds. The Library maintains no fiduciary funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17 through 32 of this report.

Other information. The Library adopts annual appropriated budgets for its General Fund, Special Revenue - Other Fund and Permanent Fund. Budgetary comparison statements have been provided for the General Fund and the Special Revenue - Other Fund to demonstrate compliance with budgets and can be found on pages 15 and 16 of this report.

Entity-wide Financial Analysis

Analysis of net assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets exceeded liabilities by \$ 117,148,500 at the close of fiscal year 2017.

By far the largest portion of the Library's net assets (63.37 percent) reflects capital assets (e.g., books, land, buildings, equipment, fine arts, and special collections). The Library uses these capital assets to provide services to citizens and users; consequently, these assets are *not* available for future spending.

**Enoch Pratt Free Library
Net Assets
(Rounded to Nearest Hundred Dollars)**

	Governmental Activities	
	2017	2016
Assets:		
Current and other assets.....	\$ 52,580,400	\$ 50,055,600
Capital assets.....	74,236,800	75,898,100
Total assets.....	126,817,200	125,953,700
Liabilities:		
Liability for compensated absences.....	4,103,100	4,194,400
Other liabilities.....	5,565,600	5,239,000
Total liabilities.....	9,668,700	9,433,400
Net assets:		
Invested in capital assets.....	73,659,700	75,782,800
Restricted.....	32,443,500	30,082,600
Unrestricted.....	11,045,300	10,654,900
Total net assets.....	\$ 117,148,500	\$ 116,520,300

Analysis of changes in net assets. The Library's net assets overall increased by \$628,200 during fiscal year 2017.

Enoch Pratt Free Library
Changes in Net Assets
(Rounded to Nearest Hundred Dollars)

	Governmental	
	Activities	
Revenues	2017	2016
Program revenues:		
Charges for services	\$ 242,000	\$ 194,700
Operating grants and contributions	24,331,900	24,339,700
Capital grants and contributions	555,900	1,607,800
General revenues:		
Baltimore City general fund	14,457,900	15,914,600
Investment income	508,200	525,500
Net investment gain	4,428,000	443,500
Contributions Not Available for Current Expenses	-	201,500
Total Revenues	44,523,900	43,227,300
Expenses		
Informational Services	43,895,700	43,710,000
Total Expenditures	43,895,700	43,710,000
Changes in net assets	628,200	(482,700)
Net assets – beginning of year	116,520,300	117,003,000
Net assets - end of year	\$ 117,148,500	\$ 116,520,300

Governmental activities. Key factors for the overall increase of \$628,200 in net assets of the Library’s governmental activities are as follows:

- Investment gains of \$4,428,000, an increase of \$3,984,500 from last year’s gain of \$443,500, and investment income decreased by \$17,300 in fiscal year 2017 due to changes in market conditions.
- Support from the Baltimore City General Fund decreased by \$1,456,700 during fiscal year 2017.
- Grant revenue from State, Federal and Other sources increased by \$1,197,500.
- Gifts, contributions and bequests decreased by \$1,470,200 or just under 25% less.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the Library's financing requirements. In particular, *spendable fund balances* may serve as a useful measure of a Library's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Library include the General Fund, Special Revenue Funds, and the Permanent Fund.

As of the end of fiscal year 2017, the Library's governmental funds reported combined ending fund balances of \$47,591,800 an increase of \$2,659,900, in comparison with the prior fiscal year. Of this total, \$30,031,000 constitutes spendable fund balances. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate existing contracts and purchase orders (\$1,579,500) or is non-spendable as required by endowment donors (\$15,981,300).

Revenues for governmental functions overall totaled \$43,967,900 in the fiscal year ended June 30, 2017 which represents an increase of 5.64% from the fiscal year ended June 30, 2016. Expenditures for governmental functions, totaling \$41,308,000, increased by less than 1.% from the fiscal year ended June 30, 2016. In the fiscal year ended June 30, 2017, revenues exceeded expenses for governmental functions by \$2,659,900.

The General Fund is the chief operating fund of the Library. At the end of fiscal year 2017, the unassigned fund balance of the General Fund was (\$1,385,800) while the total fund balance was \$193,700. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures.

The fund balance in the Library's General Fund decreased by \$1,041,500 during fiscal year 2017 as a result of a decrease in revenue and an increase in expenditures.

Capital Asset Administration

Capital assets. The Library's investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$73,659,700 (net of accumulated depreciation, excluding payables). This investment in capital assets includes library books, land, buildings and improvements, equipment, construction in process, fine arts and special collections. The total decrease in the Library's investment in net capital assets for the current fiscal year was about 2.80%.

Enoch Pratt Free Library
Changes in Capital Assets - Net of Depreciation
(Rounded to Nearest Hundred Dollars)

	Governmental Activities	
	2017	2016
Library books and materials	\$ 18,977,800	\$ 20,429,500
Land	1,676,400	1,676,400
Buildings and improvements	38,571,400	39,975,700
Vehicles	352,200	-
Equipment	974,800	797,800
Construction in progress	11,052,800	10,387,400
Fine arts	2,219,300	2,219,300
Special collections	412,100	412,000
Total	\$ 74,236,800	\$ 75,898,100

Major capital asset events during fiscal year 2017 included the following:

- The acquisition of additional books and materials at a cost of \$3.0 million offset by depreciation expense of \$ 4.4 million.
- Building and Improvements decreased as a result of depreciation of assets which was offset by an increase in construction in progress.

See Note 5 to the Basic Financial Statements for additional information on the Library's capital assets.

Economic Factors

The market value of the Library's investments had a gain of \$4,428,000 due to an increase in the market. City General Funds decreased by \$1,456,700 and Federal/State Funding increased by approximately \$406,200. We also experienced a decrease in private grants and donations of \$623,000.

The improving economy has positively impacted library investments this year, however public operating budget support has lagged over the last several years and we have been advised to expect future funding to be relatively flat at best. The Library is currently operating under a City General Fund hiring and non-essential budget freeze, which may impact hours and services. Next year's State funding of the State Library Resource Center is expected to remain relatively flat which will allow us to avoid reductions in State services. The Library has continued implementation of its 2016-2017 Strategic Plan which will take into consideration the new fiscal realities as we continue our efforts at providing the best possible service to our City and State customers.

Budget to Actual Comparison

Please refer to page 15 and 16 for budget to actual comparison.

Requests for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Stanley Estremsky, CPA
Chief Financial Officer
400 Cathedral Street
Baltimore, Maryland 21201

**ENOCH PRATT FREE LIBRARY
STATEMENT OF NET POSITION
JUNE 30, 2017
(Rounded to the Nearest Hundred Dollars)**

		<u>Governmental Activities</u>
Assets		
Cash	\$	5,256,300
Equity in City's Pooled Cash and Cash Equivalents		2,085,900
Investments (At Market)		44,624,500
Accounts Receivable - Due from Grantors		539,800
Accrued Interest and Dividends Receivable		59,800
Capital Assets (Net of Accumulated Depreciation):		
Library Books and Materials		18,977,800
Buildings and Improvements		38,571,400
Vehicles		352,200
Equipment		974,800
Construction in Progress		11,052,800
Capital Assets (Nondepreciable):		
Land		1,676,400
Fine Arts		2,219,300
Special Collections		412,100
Other Assets		14,100
Total Assets	\$	<u>126,817,200</u>
Liabilities		
Current Liabilities		
Accounts Payable		849,500
Accrued Liabilities		1,068,900
Advances Payable - City's General Fund		302,500
Capital Obligations		352,200
Deferred Restricted Contributions		12,300
Deferred Revenue – Advances from Grantors		2,980,200
Total Current Liabilities		<u>5,565,600</u>
Liabilities for Compensated Absences:		
Due within One Year		3,001,200
Due in More than One Year		1,101,900
Total Liabilities for Compensated Absences		<u>4,103,100</u>
Total Liabilities		<u>9,668,700</u>
Net Position		
Invested in Capital Assets		73,659,700
Restricted:		
Nonexpendable		9,604,700
Expendable		22,838,800
Unrestricted:		
Nonexpendable		6,376,600
Expendable		4,668,700
Total Net Assets	\$	<u>117,148,500</u>

The notes to the basic financial statements are an integral part of this statement.

**ENOCH PRATT FREE LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2017
(Rounded to the Nearest Hundred Dollars)**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Assets</u>
					<u>Government</u>
					<u>Activities</u>
Governmental Activities:					
Information Services	\$43,895,700	\$ 242,000	\$24,331,900	\$ 555,900	\$ (18,765,900)
Total Governmental Activities	\$43,895,700	\$ 242,000	\$24,331,900	\$ 555,900	\$ (18,765,900)
General Revenues:					
Baltimore City General Fund					\$ 14,457,900
Investment Income					508,200
Net Investment Gain					4,428,000
Total General Revenues.....					19,394,100
Change in Net Position					628,200
Net Position- Beginning					116,520,300
Net Position- Ending					\$ 117,148,500

The notes to the basic financial statements are an integral part of this statement.

**ENOCH PRATT FREE LIBRARY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017
(Rounded to Nearest Hundred Dollars)**

	General Fund	Special Revenue - Grants Fund	Special Revenue - Other Fund	Permanent Fund	Total Governmental Fund
Assets:					
Cash	\$ 94,100	\$ 1,557,200	\$ 3,369,100	\$ 235,900	\$ 5,256,300
Equity in City's Pooled Cash and Cash Equivalents	1,678,500	407,400	-	-	2,085,900
Investments (At Market)	-	821,500	27,005,100	16,797,900	44,624,500
Accounts Receivable - Due from Grantors	-	539,800	-	-	539,800
Accrued Interest and Dividends Receivable	-	-	36,700	23,100	59,800
Due from Other Funds.....	48,100	-	32,200	-	80,300
Other Assets.....	14,100	-	-	-	14,100
Total Assets	1,834,800	3,325,900	30,443,100	17,056,900	52,660,700
Liabilities and Fund Balances:					
Current Liabilities:					
Accounts Payable	445,200	103,300	73,800	2,500	624,800
Accrued Liabilities	893,400	162,100	13,300	-	1,068,800
Advances Payable - City's General Fund	302,500	-	-	-	302,500
Due to Other Funds	-	80,300	-	-	80,300
Deferred Restricted Contributions	-	-	12,300	-	12,300
Deferred Revenue – Advances from Grantors.....	-	2,980,200	-	-	2,980,200
Total Current Liabilities	1,641,100	3,325,900	99,400	2,500	5,068,900
Fund Balances:					
Nonspendable	-	-	-	15,981,300	15,981,300
Restricted for specific purposes	-	-	22,119,400	719,300	22,838,700
Committed	1,579,500	-	-	-	1,579,500
Unassigned	(1,385,800)	-	8,224,300	353,800	7,192,300
Total Fund Balances	193,700	-	30,343,700	17,054,400	47,591,800
Total Liabilities and Fund Balances	\$ 1,834,800	\$ 3,325,900	\$ 30,443,100	\$ 17,056,900	\$ 52,660,700

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets are used in governmental activities are not financial resources and, therefore are not reported in the funds.....	74,236,800
The Accounts Payable Liability associated with Capital Assets are also not reported in the funds.....	(577,000)
The Liability for Compensated Absences does not require the use of current financial resources and is reported in the funds.	(4,103,100)
Net assets of governmental activities.....	\$ 117,148,500

The notes to the basic financial statements are an integral part of this statement.

ENOCH PRATT FREE LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(Rounded to Nearest Hundred Dollars)

	General Fund	Special Revenue - Grants Fund	Special Revenue - Other Fund	Permanent Fund	Total Governmental Funds
Support and Revenues:					
Support:					
Baltimore City - General Fund	\$ 14,457,900	\$ -	\$ -	\$ -	\$ 14,457,900
Federal Grants	-	527,700	-	-	527,700
State Grants	6,143,600	9,868,300	-	-	16,011,900
Other Grants	-	1,077,900	-	-	1,077,900
Fringe Benefits Paid Directly By the State	2,233,100	-	-	-	2,233,100
Gifts, Contributions and Bequests	-	-	4,481,200	-	4,481,200
Total Support.....	22,834,600	11,473,900	4,481,200	-	38,789,700
Revenues:					
Fines, Fees and Other	242,000	-	-	-	242,000
Investment Income	-	-	291,600	190,600	482,200
Gain on Investments	-	-	2,703,300	1,724,700	4,428,000
Interest from Enoch Pratt Endowment	26,000	-	-	-	26,000
Total Revenue	268,000	-	2,994,900	1,915,300	5,178,200
Total Support and Revenue	23,102,600	11,473,900	7,476,100	1,915,300	43,967,900
Expenditures:					
Information Services.....	24,144,100	11,473,900	5,565,100	124,900	41,308,000
Total Expenditures	24,144,100	11,473,900	5,565,100	124,900	41,308,000
Excess (Deficiency) of Support and Over Expenditures - Net Change in					
Fund Balances -	(1,041,500)	-	1,911,000	1,790,400	2,659,900
Fund Balances - Beginning of Year.....	1,235,200	-	28,432,700	15,264,000	44,931,900
Fund Balances - End of Year.....	\$ 193,700	\$ -	\$ 30,343,700	\$ 17,054,400	\$ 47,591,800

The notes to the basic financial statements are an integral part of this statement.

ENOCH PRATT FREE LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(Rounded to Nearest Hundred Dollars)

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balances - total governmental funds (page 13).....	\$ 2,659,900
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.....	(2,123,000)
The Liability for Compensated Absences does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. This is the amount by which the liability changed in the current period.....	91,300
Change in net assets of governmental activities (page 11)	\$ 628,200

The notes to the basic financial statements are an integral part of this statement.

ENOCH PRATT FREE LIBRARY
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2017
(Rounded to hundred dollars)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Support and Revenue:				
Support:				
Baltimore City - General Fund.....	\$ 17,784,100	\$ 14,391,800	\$ 14,457,900	\$ 66,100
State Grants.....	6,143,600	6,143,600	6,143,600	-
Fringe Benefits Paid Directly By the State.....	2,233,100	2,233,100	2,233,100	-
Total Support.....	26,160,800	22,768,500	22,834,600	66,100
Revenue:				
Fines, Fees and Other.....	308,000	308,000	242,000	(66,000)
Interest from Enoch Pratt Endowment.....	26,000	26,000	26,000	-
Total Revenue.....	334,000	334,000	268,000	(66,000)
Total Support and Revenue.....	26,494,800	23,102,500	23,102,600	100
Expenditures.....	26,494,800	23,102,500	24,198,200	(1,095,700)
Total Expenditures.....	26,494,800	23,102,500	24,198,200	(1,095,700)
Excess of Revenue and Support over Expenditures.....	-	-	(1,095,600)	\$ (1,095,600)
Fund Deficits, Beginning of Year.....			(144,100)	
Fund Balances, End of Year.....	\$ -	\$ -	(1,239,700)	
Adjustments to Reconcile to GAAP Basis:				
Addition of of Encumbrances Outstanding.....			1,579,500	
Encumbrances Cancelled by A/P.....			299,100	
Less Accounts Payable not Recorded for Budgetary Purposes.....			(445,200)	
Fund Balance - End of Year (GAAP Basis).....			\$ 193,700	

The notes to the basic financial statements are an integral part of this statement.

ENOCH PRATT FREE LIBRARY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE - OTHER FUND
YEAR ENDED JUNE 30, 2017
(Rounded to hundred dollars)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support and Revenue:				
Support:				
Gifts, Contribution and Bequest.....	\$ 2,520,500	\$ 2,520,500	\$ 4,481,200	\$ 1,960,700
Total Support.....	<u>2,520,500</u>	<u>2,520,500</u>	<u>4,481,200</u>	<u>1,960,700</u>
Revenue:				
Investment Income.....	1,101,100	1,101,100	293,600	(807,500)
Gain on Investments.....	-	-	2,703,200	2,703,200
Total Revenue.....	<u>1,101,100</u>	<u>1,101,100</u>	<u>2,996,800</u>	<u>1,895,700</u>
Total Support and Revenue.....	<u>3,621,600</u>	<u>3,621,600</u>	<u>7,478,000</u>	<u>3,856,400</u>
Expenditures:				
Information Services.....	5,306,000	5,306,000	5,594,100	(288,100)
Total Expenditures.....	<u>5,306,000</u>	<u>5,306,000</u>	<u>5,594,100</u>	<u>(288,100)</u>
Excess of Revenue and Support over Expenditures.....	(1,684,400)	(1,684,400)	1,883,900	<u>\$ 3,568,300</u>
Fund Balances, Beginning of Year.....	<u>23,348,500</u>	<u>23,348,500</u>	<u>28,496,900</u>	
Fund Balances, End of Year.....	<u>\$ 21,664,100</u>	<u>\$ 21,664,100</u>	30,380,800	
Adjustments to Reconcile to GAAP Basis:				
Addition of accrued income.....			36,700	
Less Accounts Payable not Recorded for Budgetary Purposes.....			<u>(73,800)</u>	
Fund Balance - End of Year (GAAP Basis).....			<u>\$ 30,343,700</u>	

The notes to the basic financial statements are an integral part of this statement.

ENOCH PRATT FREE LIBRARY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

1. Summary of Significant Accounting Policies

A. Reporting Entity

Maryland law created the Enoch Pratt Free Library (Library) in 1882, which enabled the City of Baltimore (City) to accept a donation from Enoch Pratt to establish “The Enoch Pratt Free Library of Baltimore City.” The City owns the Library buildings; however a self-perpetuating Board of Trustees administers its operations. In 1971, the Maryland General Assembly designated the Library as the State Library Resource Center.

The Library receives funds from the City and State in the form of appropriations and grants, private donations, gifts and grants made directly to the Board of Trustees, as well as an endowment from the Enoch Pratt Trust Fund. The City’s Department of Finance operates as a service agency for the Library, providing such services as general accounting, payroll, disbursements and other services. The Library is subject to the budgetary control and expenditure authorization of the City concerning the appropriations included in the General Fund of the Library.

The Library is incorporated in the basic financial statements of the City as a blended component unit in accordance with criteria established by the Governmental Accounting Standards Board.

Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Based on the aforementioned criteria, there are no component units for which the Library exercises oversight authority.

The basic financial statements of the Library are prepared from the records of the City and the Library. The governmental fund statements pertain to the operations of the Library and do not reflect those activities related to capital projects or debt service, as these are the responsibility of the City and reflected in its basic financial statements. The accounting and financial reporting policies of the Library included in this report conform to accounting principles generally accepted in the United States and reporting standards as promulgated by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

These basic financial statements, as presented, reflect only the financial position and results of operations of the Library. They are not intended to present fairly the financial position of Baltimore City taken as a whole or the results of its operations in conformity with accounting principles generally accepted in the United States.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Entity-wide Financial Statements. The statement of net assets and the statement of activities display information about the overall financial position and activities of the Library. These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the Library are primarily financed through property taxes, intergovernmental revenues, and other non-exchange transactions. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place.

Program revenues include: (a) fines, fees, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Governmental Fund Financial Statements. The fund financial statements provide information about the Library's governmental funds. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue. Expenditures expected to be paid from currently available resources are recorded when the related fund liability is incurred, except for payments for compensated absences, which are recognized as expenditures when paid.

The Library reports the following major governmental funds:

- *General Fund.* This is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.
- *Special Revenue - Grants Fund.* These funds account for revenues derived from certain governmental grants and other revenue sources that are restricted by law or administrative action to expenditures for specific purposes.
- *Special Revenue - Other Fund.* The proceeds include the spendable portion of gifts and endowments received by the Library.
- *Permanent Fund.* The proceeds include the non-spendable portion of the Library's Endowment Fund.

Measurement Focus, Basis of Accounting

Entity-wide Financial Statements. The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements,

and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Library considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end, except for grant and entitlement revenue which have a 90-day availability period. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of the grant agreements, the Library funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Library's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical grants, and then by general revenues.

C. Specific Accounting Practices

Equity in the City's Pooled Cash and Cash Equivalents

Except for the Library Trustees' endowment investments, the City of Baltimore has custody of Library funds. The cash balances of City funds are pooled and invested by the City for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2017, based on market prices. The individual funds' portions of the pool's fair value are presented as "Equity in the City's Pooled Cash and Cash Equivalents."

Cash

Cash includes demand deposits, as well as overnight investments.

Investments

Investment securities held by the Library are presented in the financial statements at market value at June 30, 2017, which approximates fair value. Real estate is valued at the most recent appraisal.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of receipt. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40-50 years
Building Improvements	20-50 years
Vehicles & Equipment	5 years
Library Books and Materials	10 years

The Library's policy is to capitalize fixed assets with a cost basis of \$5,000 or more.

Endowments

The Library's Endowment is composed of the following four types of funds:

1. Principal Spendable, Income Restricted.
2. Principal Spendable, Income Unrestricted.
3. Principal Nonspendable, Income Restricted.
4. Principal Nonspendable, Income Unrestricted.

The last two funds are permanent endowments for which donors have stipulated as a condition of the gift that the principal be maintained in perpetuity. The terms of the gift stipulates how earnings are to be used, either for a restricted or unrestricted purpose. In accordance with classic trust law, the Library follows the policy of allocating gains and losses from appreciation or depreciation to the principal.

Compensated Absences

The liability for compensated absences reported in the entity-wide financial statements consists of unpaid, accumulated annual sick and vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, approved requisitions and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the General Fund. Encumbrances are treated as commitments of fund balances in this fund because they do not constitute expenditures or liabilities. Encumbrances are reported with expenditures in the General Fund budgetary basis financial statement.

Fund Balance/Net Assets

In accordance with GASB 54, the governmental fund financial statement fund balances are classified as follows:

- Non-spendable – Includes fund balance amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Includes fund balance amounts that can be spent only for specific purposes because of limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions.
- Committed – Includes fund balance amounts that can be used for specific purposes determined by a formal action by the Library Director or her designee, the City or State Government. Similar action is required to modify or rescind such commitments. The Board of Trustees (the Library’s highest level of decision-making authority) has granted the Director the authority to commit or assign funds.
- Assigned – Includes fund balance amounts that are intended for use for specific purposes as determined by the Director or her designee in accordance with all applicable laws and regulations.
- Unassigned – Represents that residual classification in the General Fund and includes all spendable amounts not contained in the four classifications described above.

Net assets in the government-wide statements are categorized as follows:

- Invested in Capital Assets – consists of capital assets, net of accumulated depreciation.
- Restricted Net Assets - net assets that have third party limitations on their use.
- Unrestricted Net Assets – all net assets that are not included in the categories identified above.

Order of Fund Balance Spending Policy

When an expense is incurred that can be paid using restricted or unrestricted resources (net assets), the Library’s policy is to first apply toward restricted resources and then toward unrestricted resources. In governmental funds, the Library’s policy is to first apply the expenditure toward restricted fund balance then to other, less-restrictive classifications.

Sick, Vacation and Personal Leave

Employees earn one day of sick leave for each completed month of service and there is no limitation on the number of sick days that employees can accumulate. A portion of unused sick leave earned annually during each twelve-month base period may be converted to cash at a maximum of three days, computed on an attendance formula. Upon retirement with pension benefits, or termination of employment after completion of twenty or more years of service without pension benefits, employees receive one day’s pay for every four sick leave days accumulated and unused at the day of separation or one day’s pay for every three such days, depending on the employee’s bargaining unit. Under any other such conditions of separation, unused sick leave is forfeited. Sick leave benefit expenditures are

not recorded until paid, except that vested and expected to be vested unused sick leave is recorded when leave is earned in the entity-wide statements. The liability is not expected to be reduced in the succeeding year.

Individuals employed with the City as of June 30, 2016 with unused vacation or personal leave balances will have a Legacy Vacation and or Legacy Personal Leave Account to store eligible employees' unused days of leave. Eligible employees will have all previously accumulated vacation leave transferred into these accounts on July 1, 2016. Employees shall not transfer any vacation leave accrued after June 30, 2016 into the Legacy Vacation or Legacy Personal Leave Accounts. Additionally, beginning on July 1, 2016, City employees may accumulate a maximum of 45 vacation days, four Personal Leave Days for CUBS Benefit Employees and three Personal Leave Days for MAPS Benefits Employees. The maximum balance in the Current Vacation account that can be carried from year to year is 45 days and staff are no longer allowed to carry over Personal Leave days. The leave may be taken through time off or paid upon termination or retirement. The Legacy Vacation and Personal Leave Accounts are available for use upon exhaustion of the leave stored in the Current Vacation Account. Legacy Vacation Accounts shall be permanently closed upon reaching a zero balance. Individuals beginning employment with the City after June 30, 2016 shall not have a Legacy Vacation or Personal Leave Account. Accumulated vacation and personal leave is recorded in the entity-wide financial statements.

Interfund Transactions

Transfers of Expenditures (Reimbursements) - Reimbursement of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

2. Budget Process and Budgetary Basis of Accounting

Annual budgets are adopted for the General Fund, all Special Revenue Funds, except for Grants Revenue Funds, and the Permanent Fund, on a basis consistent with accounting principles generally accepted in the United States, except for certain miscellaneous revenues and expenditures which are not budgeted and encumbrances which are recognized as expenditures for budgetary purposes.

The Library's General Fund results from the City's budget process. The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The following procedures establish the budgetary data reflected in the basic financial statements:

Original Budget

- (1) City agencies submit their anticipated annual budget needs to the Department of Finance during December.
- (2) From December through March, the Mayor and the Department of Finance analyze, review, and refine the budget submittals.
- (3) In April, the Director of Finance sends its recommended budget plan to the Board of Estimates. The Board then holds hearings and the recommended budget is amended as necessary. Citizens have the opportunity to offer input before the Board votes on the budget.
- (4) In May, a majority vote of the Board of Estimates approves the total budget and sends it to the City Council. The Board of Estimates must submit the proposed budget for the next fiscal year to the City Council at least 45 days before the beginning of said fiscal year. The Board of Estimates prepares a proposed Ordinance of Estimates to be submitted to the City Council. The Ordinance of Estimates is the legal authority for the enactment of the budget.
- (5) The City Council then holds hearings on the proposed Ordinance of Estimates, with additional citizen input before it votes in June. The City Council shall adopt the budget at least five days before the beginning of the fiscal year. The City Council then sends the approved Ordinance of Estimates to the Mayor.
- (6) The Mayor then either approves the total Ordinance of Estimates, or disapproves some items and approves the rest of the Ordinance of Estimates.

The Library's Board of Trustees reviews and approves a Special Revenue - Other Fund and Permanent Fund budget based on anticipated contributions, investment income and needs for the forthcoming year at its June meeting.

Final Budget

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

- (1) Appropriations for a particular program, purpose, activity, or project may, upon the recommendation of the head of the municipal agency concerned and the Director of Finance, and with the approval of the Board of Estimates, be carried over to the subsequent fiscal year to carry out the initial appropriation objectives. All appropriations not carried over lapse at the end of the fiscal year in which they were made. In addition, funds encumbered for contracts, purchase orders, approved requisitions or other actual commitments, as well as funds dedicated to grant programs and capital improvements are carried out over the ensuing fiscal year until utilized or cancelled.
- (2) The adopted budget is prepared and appropriated on an agency, program, activity, and object of expenditure basis by fund. Purchase orders, which result in an operating or capital overrun, are not released until additional appropriations are made available. Expenditures for each adopted operating budget may not legally exceed appropriations at the agency level. Administratively, the Department of Finance has the authority to move

appropriations between activities of the same program within the same agency. The Board of Estimates has the authority to transfer appropriations between programs within the same agency. Only the City Council can transfer appropriations between agencies.

- (3) The City Charter permits further appropriations for programs included in the original Ordinance of Estimates made necessary by material changes in circumstances and additional appropriations for new programs or grant awards which could not reasonably be anticipated when formulating the original Ordinance of Estimates.

Budgetary data, as revised, is presented in the basic financial statements for the General Fund and Special Revenue - Other Fund. Final budgetary data excludes prior year amounts reserved for encumbrances for appropriate comparison to actual expenditures.

3. Reconciliation of Entity-wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balance as reflected on the governmental funds balance sheet and the net assets for governmental activities as shown on the entity-wide statement of net assets is presented on the face of the governmental funds balance sheet. The asset and liability elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the entity-wide financial statements use the economic resources measurement focus and accrual basis of accounting.

A summary reconciliation of the difference between net changes in fund balance as reflected on the governmental funds statement of revenues, expenditures and changes in fund balances, and change in net assets for governmental activities as shown on the entity-wide statement of activities is presented in an accompanying schedule to the governmental funds statement of revenues, expenditures and changes in fund balances. The revenue and expense elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the entity-wide financial statements use the economic resources measurement focus and accrual basis of accounting.

4. Deposits and Investments

A. Cash Deposits

As of June 30, 2017, the Library's bank balances totaled \$7,462,300. Of the total bank balance, \$672,700 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining \$6,789,600 was collateralized with pooled securities held by the financial institutions' trust departments. These securities are held in the name of the financial institution and not that of the Library.

B. Investments

The Board of Trustees (the Board) of the Enoch Pratt Free Library of Baltimore City is independent and authorized by Maryland Law and the Enoch Pratt bequest to make investments. The Board accomplishes the daily management of the Library's investments through an external investment advisor who acts as a fiduciary for the Library and is

charged to use a conservative approach within guidelines set by the Board which consider the probable safety of investments, avoidance of speculative investments, and investing as people of prudence, discretion, and intelligence would in a similar situation. Adherence to those guidelines is monitored by the Library's Board Finance Committee through review of quarterly reports and meetings.

The Library's invested assets, at fair value, at June 30, 2017 are presented below (rounded to nearest hundred dollars):

	<u>Market Value</u>
Debt Securities:	
Certificates of Deposit.....	\$ 2,417,200
Corporate and Governmental Bonds.....	8,126,700
Money Mutual Funds.....	2,432,100
Asset-Backed Securities.....	<u>113,200</u>
Total Debt Securities.....	<u>\$ 13,089,200</u>
Other:	
Equities.....	\$ 30,165,900
Exchange-Traded Products.....	147,100
Real Estate Investment Trusts.....	1,058,500
Real Estate.....	<u>163,800</u>
Total Other.....	<u>\$ 31,535,300</u>
Total Investments.....	<u>\$ 44,624,500</u>

These investments relate to the following funds (rounded to nearest hundred dollars):

	<u>Cost</u>	<u>Market</u>
Special Revenue-Grants Fund	\$ 548,100	\$ 821,500
Special Revenue-Other Fund	18,016,400	27,005,100
Permanent Fund	<u>11,206,700</u>	<u>16,797,900</u>
Total	<u>\$ 29,771,200</u>	<u>\$ 44,624,500</u>

The Library had a realized gain of \$587,900 and an unrealized gain of \$3,840,100 or a total gain of \$4,428,000 on Endowment Fund investments during fiscal year 2017. Cost for purposes of computing gain or loss is the historical cost of the individual investments. The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments. Realized gains and losses of the current period include unrealized amounts from prior periods.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. As of June 30, 2017 the Library did not have any single investment that's market value exceeded 5% of the total investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

It is the Board's policy that external managers demonstrate sensitivity to currency risk. As of June 30, 2017, the Library had no exposure to foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Library uses Segmented Time Distribution as a measure of interest rate sensitivity for bonds. The Board has no fixed income interest rate policy. The time risk of debt investments is presented in the table below.

<u>Asset Type</u>	<u>Investment Maturities (In Years)</u>			
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6-10</u>
Certificates of Deposit	\$ 2,417,200	\$ 910,500	\$ 1,506,700	\$ -
Corporate Bonds	7,467,600	2,452,700	4,398,000	616,900
Asset-Backed Securities	113,200	-	113,200	-
Money Mutual Funds	2,432,100	2,432,100	-	-
Treasury Securities	659,100	-	-	659,100
Total Debt Securities	<u>\$ 13,089,200</u>	<u>\$ 5,795,300</u>	<u>\$ 6,017,900</u>	<u>\$ 1,276,000</u>

Credit Risk by Quality

Credit risk is the risk that the issuer or other counterpart to an investment will not fulfill its obligation. The Library Board's policy is that at least ninety percent of the fixed income portfolio be in investment grade bonds rated BAA or better. The Library's rated debt investments as of June 30, 2017 were rated by a nationally recognized statistical rating agency and are presented below using the Moody's rating scale:

<u>Asset Type</u>	<u>Quality Ratings</u>				
	<u>Market Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BAA</u>
Certificates of Deposit	\$ 2,417,200	\$ 2,417,200	\$ -	\$ -	\$ -
Corporate Bonds	7,467,600	-	-	3,158,000	4,309,600
Asset Backed Securities	113,200	-	-	113,200	-
Money Mutual Funds	2,432,100	2,432,100	-	-	-
Treasury Securities	659,100	-	659,100	-	-
Total Debt Securities	<u>\$ 13,089,200</u>	<u>\$ 4,849,300</u>	<u>\$ 659,100</u>	<u>\$ 3,271,200</u>	<u>\$ 4,309,600</u>

5. Capital Assets

Capital assets activity for the year ended June 30, 2017, was as follows (rounded to nearest hundred dollars):

Information Services Capital Assets

<u>Class</u>	<u>Balance 30-Jun-16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 30-Jun-17</u>
Capital assets, not being depreciated				
Land	\$ 1,676,400	\$ -	\$ -	\$ 1,676,400
Fine arts	2,219,300	-	-	2,219,300
Special collections	412,100	-	-	412,100
Construction in progress	10,387,400	665,400	-	11,052,800
Total capital assets, not being depreciated	<u>14,695,200</u>	<u>665,400</u>	<u>-</u>	<u>15,360,600</u>
Capital assets, being depreciated				
Buildings and improvements	60,902,900	-	-	60,902,900
Vehicles.....	-	524,700	-	524,700
Equipment	4,522,300	429,600	-	4,951,900
Library books and materials	49,600,100	2,990,600	(5,178,000)	47,412,700
Total capital assets, being depreciated	<u>115,025,300</u>	<u>3,944,900</u>	<u>(5,178,000)</u>	<u>113,792,200</u>
Less depreciation for:				
Buildings and improvements	20,927,200	1,404,300	-	22,331,500
Vehicles.....	-	172,500	-	172,500
Equipment	3,724,500	252,600	-	3,977,100
Library books and materials	29,170,600	4,442,300	(5,178,000)	28,434,900
Total accumulated depreciation	<u>53,822,300</u>	<u>6,271,700</u>	<u>(5,178,000)</u>	<u>54,916,000</u>
Total capital assets, being depreciated, net	<u>61,203,000</u>	<u>(2,326,800)</u>	<u>-</u>	<u>58,876,200</u>
Information Services capital assets, net	<u>\$ 75,898,200</u>	<u>\$ (1,661,400)</u>	<u>\$ -</u>	<u>\$ 74,236,800</u>

Depreciation expense was charged to functions/programs of the Library for the fiscal year ended June 30, 2017, as follows (rounded to nearest hundred dollars):

Governmental activities:

Information Services	<u>\$ 6,271,700</u>
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6. General Long-Term Obligations

Long-term liabilities and activity for the year ended June 30, 2017 were as follows (rounded to nearest hundred dollars):

Governmental Activities

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2017</u>	Amounts Due Within <u>One Year</u>
Compensated absences	\$ 4,194,400	\$ -	\$ 91,300	\$ 4,103,100	\$ 3,001,200

Liquidations of compensated absences occur in the General Fund and Special Revenue - Grants Fund.

7. Interfund Balances and Activity

A. Balance Due to/from Other Funds

Balances due to/from other funds at June 30, 2017 were as follows (rounded to nearest hundred dollars):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue - Grants	\$ 48,100
Special Revenue - Other Funds	Special Revenue - Grants	32,200
		<u>\$ 80,300</u>

8. Deferred Revenue

Deferred revenue in the amount of \$2,980,200 in the Special Revenue - Grants Fund is associated with grant funds received as of June 30, 2017, for which related expenditures have not been incurred or the expenditures have been incurred and the reimbursement funding is not available as of June 30, 2017.

9. Leases

A. Operating Lease

The Library has entered into operating leases for rental of various pieces of equipment and real property. All leases contain cancellation provisions and are subject to annual appropriations by the City and State governments, as well as the Board of Trustees. During fiscal year 2017, rent and lease expenditures approximated \$496,700 for all types of leases, including significant real property and short-term equipment rentals. These expenditures were made primarily from the General and Endowment Fund.

B. Capital Lease

The Library entered into several capital lease agreements for vehicles. Lease expenditures totaled \$66,100. Such agreements are included with capital lease obligations. As the Library has entered into multiple Capital Lease agreements, interest rates vary from 2.5% to 2.7%.

Capital lease obligations at June 30, 2017, and changes for the FY ended included vehicles with an ending balance of \$352,200.

Future Minimum lease payments as of June 30, 2017 are as follows:

2018	\$	66,100
2019		66,100
2020		66,100
2021		48,400
2022		41,300
Thereafter		64,200
	\$	<u>352,200</u>

10. Retirement System

Plan Descriptions

All employees of the Enoch Pratt Free Library, other than some clerical and professional employees who are members of the Maryland State Retirement System to which the City makes no contributions, are covered by the City of Baltimore's Employees' Retirement System (ERS).

The ERS is a cost-sharing multiple employer defined pension plan administered by the City of Baltimore Employees' Retirement System. ERS provides retirement, disability, and death benefits to plan members and beneficiaries. The plan is managed by a Board of Trustees in accordance with Article 22 of the Baltimore City Code. Plan benefits may be amended only by the City Council. The Employees' Retirement System issues a publicly available financial report that includes financial and required supplementary information. That report may be obtained by going to the ERS website at www.bcercs.org.

Certain ERS information is presented below from the most recent financial report and actuarial valuation available. These reports are dated June 30, 2017.

Funding Policy

The Baltimore City Code establishes the contribution requirements for plan members and the City. Employees are required to contribute at a rate of 3% to 5%, depending on their employment date and retirement plan. The City contributes to the plan at a rate of 21.60% of covered payroll. During fiscal year 2017, the City's annual required contribution was \$ 84,474,400. The annual contribution rate was determined as part of the actuarial valuation report for June 30, 2017, using the entry age normal cost method.

The actuarial assumptions included (a) 7.50% pre-retirement investment return rate, (b) 6.50% post-retirement investment return rate, and (c) projected salary increases of approximately 2.65%. Post-retirement benefit increases are granted each year to eligible retirees and beneficiaries in pay status for more than 18 months. The actuarial value of plan assets is determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

The unfunded actuarial accrued liability is being amortized as a level dollar on an open-ended basis. The remaining amortization period at June 30, 2017 is 15 years.

The components of the net pension liability of the Employees Retirement System at June 30, 2017 were as follows:

Total Pension Liability	\$ 2,359,605,500
Less: Plan Fiduciary Net Position	(1,627,026,500)
Net Pension Liability	\$ 732,579,000
Plan Fiduciary net position as a % of the total pension liability based on market value of assets	69.00%

For employees hired as of July 1, 2014, the City of Baltimore's Retirement Savings Plan (RSP) was established. The RSP consists of a 401a contributory non-hybrid and a hybrid contributory defined benefit plan.

11. Risk Management

The Library participates in the City's Risk Management Fund. The City 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 fiscal year 1987, the City established the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks. The City's risk financing techniques include a combination of risk retention through self-insurance and risk transfer through the purchase of commercial insurance. The Risk Management Fund services all claims for risk of loss, including general liability, property and casualty, workers' compensation, unemployment compensation, automobile physical damage and bodily injury, and sundry other risks. Commercial insurance coverage is provided for each property damage claim in excess of \$500,000 with a cap of \$550,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. The City also provides medical insurance coverage for all employees and retirees. Employees are required to pay a percentage of the annual cost of the medical plans and the remaining costs are paid by the internal service fund.

All funds of the City participate and make payments to the Risk Management Fund based on actuarial estimates and historical cost information of the amounts needed to pay prior and current year claims. During fiscal year 2017, the Library's share of the City's cost was \$3,450,900.

12. Postemployment Benefits

Baltimore City administrative policy provides that other postemployment benefits, other than pension benefits, be provided to all employees of the City. These benefits include certain healthcare and life insurance benefits. All employees who retire are eligible to receive these benefits. The City of Baltimore provides other postemployment benefits (OPEB) to all qualified City employees. The OPEB Plan is a contributory, single employer defined benefit plan. The benefit and contribution provisions of the Plan are established and may be amended by the City. The Plan provides postemployment healthcare, prescription and life insurance benefits to retirees and their beneficiaries. In order to effectively manage the Plan, the City established an OPEB Trust Fund. All retiree and City contributions are deposited into the Trust Fund and all retiree related health and life insurance benefits are paid from the Trust Fund. The City also contracted with the Board of Trustees of the Employees' Retirement System of the City of Baltimore, Maryland to act as investment manager for the Trust Fund. BNY Mellon Bank Asset Servicing is the Trust Fund's asset custodian. The Plan does not issue stand alone financial statements; however, the OPEB Trust Fund is included in the City's financial statements as a Trust and Agency Fund.

At June 30, 2016, the most recent data available, there were 15,660 retirees eligible for these benefits. The City reimburses approximately 50% of the premium cost incurred by pre-Medicare retirees and their dependents. The City also reimburses approximately 50% of the cost for Medicare supplement for each retiree or dependent eligible for Medicare. Such benefits are accounted for on a cash basis so that payments during the current year represent benefit coverage for currently retired employees or their beneficiaries. During fiscal year 2017, these other postemployment benefits amounted to \$104.7 million. Since this amount includes employees from other City departments, none of these costs are charged to the Library.

13. Fringe Benefits Paid Directly by the State of Maryland

The State of Maryland, by agreement with the political subdivisions, mandates professional and certain other employees of the Library to join the Maryland State Teacher's Retirement System. The State is responsible for the payment of the pension costs for these individuals. The amount of pension contribution paid by the State for eligible Library employees approximated \$2,233,100 for fiscal year 2017. The State payments are based on an annual State budget appropriation and such payments could be rescinded if funds were not appropriated. These payments are also subject to possible State audit exceptions in subsequent fiscal years.

14. Commitments and Contingencies

The Library receives a substantial amount of its support from the State of Maryland and Baltimore City. A significant reduction in the level of support may have an effect on the Library's programs and activities.

The Library participates in several State and Federal grant programs. Entitlement to grant resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal and State regulations, including the expenditure

of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits in accordance with grantors' requirements. Any disallowances as a result of these audits become a liability of the Library. As of June 30, 2017, the Library estimates that no material liabilities will result from such audits.

The Library may be party to legal proceedings, which normally occur in its operations. The Library Board of Trustees utilizes the Baltimore City Law Department to address such proceedings. In the opinion of the Library's Management, there are no legal proceedings that would have a material impact on the financial statements of the Library.

15. Promises to Give

Contributions are recognized by the Library in the period received. Promises to give that are pledged to the Library but not received during the fiscal year are expected to be received in subsequent periods and are therefore not reported in the financial statements. As of June 30, 2017, the Library had an outstanding balance of \$2,732,990 in pledges expected to be received in subsequent periods.

16. Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Library's programs, principally in the areas of information services, programming, and support services. The value of these services, estimated to be \$677,900 during fiscal year 2017, has not been recorded in the accompanying financial statements.

17. Income Tax Status

Under applicable provisions of the Internal Revenue Code, the Library is not subject to income taxes, except for unrelated business income, if any.

18. Subsequent Events

There were no reportable subsequent events.

STATISTICAL SECTION

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ENOCH PRATT FREE LIBRARY
GOVERNMENTAL REVENUES BY SOURCE
AND EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
(Rounded to Nearest Hundred Dollars)

Unaudited

Year ending June 30,	2017	2016	2015	2014	2013
Revenues					
Baltimore City - General Fund	\$14,457,900	\$15,914,600	\$16,795,900	\$16,139,800	\$15,705,900
Federal Grants	527,700	70,100	214,800	54,800	115,400
State Grants	16,011,900	16,126,700	16,352,400	15,522,600	16,627,600
Other Grants	1,077,900	223,200	77,700	855,800	361,600
Fringe Benefits Paid Directly by the State	2,233,100	2,169,800	2,171,900	2,061,000	1,700,300
Gifts, Contributions, Bequests and "e-rate" Revenue	4,481,200	5,951,400	7,441,100	5,988,600	2,718,200
Fines, Fees and Other	242,000	194,700	264,300	279,200	325,300
Investment Income	482,200	499,900	562,500	530,200	536,900
Interest from Enoch Pratt Endowment	4,428,000	25,600	25,600	24,300	25,000
Gain (Loss) on Investments	26,000	443,500	1,342,100	3,578,000	3,578,000
Total	\$43,967,900	\$41,619,500	\$45,248,300	\$46,438,800	\$41,694,200

Expenditures

Total	\$41,308,000	\$40,941,800	\$40,306,300	\$37,270,600	\$38,360,400
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Year ending June 30,	2012	2011	2010	2009	2008
Revenues					
Baltimore City - General Fund	15,141,600	15,264,600	14,405,100	15,438,200	15,606,800
Federal Grants	194,700	-	32,800	427,700	369,300
State Grants	15,769,400	16,427,500	16,727,000	17,114,000	17,076,200
Other Grants	139,400	75,800	185,300	126,400	237,200
Fringe Benefits Paid Directly by the State	1,792,500	1,811,700	1,733,600	1,418,800	3,682,400
Gifts, Contributions and Bequests	2,146,800	2,062,700	2,718,500	3,303,300	3,682,400
Fines, Fees and Other	279,800	323,000	306,400	373,800	251,300
Investment Income	459,200	544,400	606,400	319,500	80,500
Interest from Enoch Pratt Endowment	25,000	25,000	46,000	74,400	73,200
Gain (Loss) on Investments	287,100	4,473,200	2,087,000	(3,881,600)	37,658,800
Total	\$36,235,500	\$41,007,900	\$38,848,100	\$34,714,500	\$37,658,800

Expenditures

Total	\$36,441,500	\$37,360,500	\$36,758,700	\$41,198,100	\$41,571,800
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Source: Library Financial Records

**Enoch Pratt Free Library
Miscellaneous Statistics
Last Ten Fiscal Years
Unaudited**

<u>Year</u>	<u>Baltimore City Population</u>	<u>Maryland Population</u>
2017	620,131	5,773,552
2016	622,104	5,928,814
2015	621,342	5,884,563
2014	619,493	5,828,289
2013	620,961	5,773,552
2012	637,418	5,699,478
2011	636,919	5,633,597
2010	637,455	5,618,344
2009	631,366	5,615,727
2008	635,815	5,600,388
<u>Year</u>	<u>Number of Employees (FTE)</u>	<u>Cataloged Book Volumes</u>
2017	439	2,252,397
2016	392	2,034,344
2015	419	2,282,492
2014	407	2,454,952
2013	416	2,427,856
2012	414	2,386,554
2011	420	2,307,284
2010	421	2,446,310
2009	432	2,467,404
2008	470	2,457,670
<u>Year</u>	<u>Number of Library Materials Circulated</u>	<u>Total of Reference and Readers Assisted</u>
2017	1,099,633	1,597,502
2016	1,186,928	2,025,590
2015	1,292,000	1,831,207
2014	1,274,204	1,819,572
2013	1,267,824	1,790,975
2012	1,253,984	1,929,131
2011	1,247,485	1,735,640
2010	1,256,321	1,629,433
2009	1,329,541	1,748,387
2008	1,335,827	1,651,751
<u>Year</u>	<u>Sailor Database Downloads</u>	<u>Library Web Site Page Views</u>
2017	1,718,757	3,726,571
2016	3,039,970	4,880,051
2015	993,945	5,360,236
2014*	952,268	5,900,829
2013	1,428,566	15,874,587
2012	2,040,887	13,996,119
2011	2,173,047	12,095,231
2010	2,730,553	11,547,869
2009	3,446,846	9,544,340
2008	2,646,141	8,727,981

* The library began using Google Analysis in FY 2014 in an effort to more accurately record page views and continues to use. Prior to that, computer generated "trolling" searches were being counted which overstated legitimate user statistics.

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