



Dave Yost • Auditor of State

CLERMONT COUNTY PUBLIC LIBRARY
CLERMONT COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Clermont County Public Library
Clermont County
326 Broadway Street
Batavia, Ohio 45103

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clermont County Public Library, Clermont County, Ohio (the Library), as of and for the year ended December 31, 2010, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clermont County Public Library, Clermont County, Ohio, as of December 31, 2010, and the respective changes in modified cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2011, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 30, 2011

CLERMONT COUNTY PUBLIC LIBRARY
Clermont County, Ohio
Statement of Net Assets - Modified Cash Basis
December 31, 2010

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,752,332
Cash with Escrow Agents/Trustees	501,981
<i>Total Assets</i>	\$9,254,313
 Net Assets	
Restricted for:	
Capital Projects	\$604,587
Debt Service	5,229
Other Purposes	122,936
Unrestricted	8,521,561
<i>Total Net Assets</i>	\$9,254,313

See accompanying notes to the basic financial statements

CLERMONT COUNTY PUBLIC LIBRARY
Clermont County, Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2010

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u> Charges for Services and Sales	<u>Net (Disbursements)</u> <u>Receipts and Changes</u> <u>in Net Assets</u> Governmental Activities
Governmental Activities			
Library Services:			
Public Service and Programs	\$3,188,782	\$235,652	(\$2,953,130)
Collection Development and Processing	1,242,267		(1,242,267)
Support Services:			
Facilities Operation and Maintenance	987,959		(987,959)
Information Services	457,345		(457,345)
Business Administration	662,989		(662,989)
Capital Outlay	1,270,569		(1,270,569)
Debt Service	361,495		(361,495)
<i>Total Governmental Activities</i>	<u>\$8,171,406</u>	<u>\$235,652</u>	<u>(7,935,754)</u>
 General Receipts			
Property Taxes Levied for General Purposes			3,435,300
Intergovernmental Revenues			662,247
Library and Local Government Support Fund			4,551,707
Unrestricted Gifts and Contributions			34,895
Sale of Capital Assets			58,398
Interest			9,666
Miscellaneous			<u>52,770</u>
<i>Total General Receipts</i>			8,804,983
Special Item - Proceeds from Sale of Land			<u>82,500</u>
Total General Receipts and Special Item			<u>8,887,483</u>
Change in Net Assets			951,729
<i>Net Assets Beginning of Year</i>			<u>8,302,584</u>
<i>Net Assets End of Year</i>			<u><u>\$9,254,313</u></u>

See accompanying notes to the basic financial statements

CLERMONT COUNTY PUBLIC LIBRARY
Clermont County, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2010

	General Fund	Union Township Capital Project	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$8,019,581	\$188,042	\$544,709	\$8,752,332
Cash with Escrow Agents/Trustees	501,981			501,981
<i>Total Assets</i>	<u>\$8,521,562</u>	<u>\$188,042</u>	<u>\$544,709</u>	<u>\$9,254,313</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$413,620	\$131,758	\$389,346	\$934,724
Unreserved:				
Designated for Budget Stabilization	442,000			442,000
Undesignated (Deficit), Reported in:				
General Fund	7,665,942			7,665,942
Special Revenue Funds			122,936	122,936
Debt Service Fund			5,229	5,229
Capital Projects Funds		56,284	27,198	83,482
<i>Total Fund Balances</i>	<u>\$8,521,562</u>	<u>\$188,042</u>	<u>\$544,709</u>	<u>\$9,254,313</u>

See accompanying notes to the basic financial statements

CLERMONT COUNTY PUBLIC LIBRARY
Clermont County, Ohio

Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Union Township Capital Project	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$3,435,300	\$0	\$0	\$3,435,300
Intergovernmental	5,213,954			5,213,954
Patron Fines and Fees	235,652			235,652
Contributions, Gifts and Donations	34,895			34,895
Earnings on Investments	9,666			9,666
Miscellaneous	32,277	27,279	300	59,856
<i>Total Receipts</i>	<u>8,961,744</u>	<u>27,279</u>	<u>300</u>	<u>8,989,323</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	3,181,475	7,307		3,188,782
Collection Development and Processing	1,242,267			1,242,267
Support Services:				
Facilities Operation and Maintenance	972,536	15,423		987,959
Information Services	419,356		37,989	457,345
Business Administration	501,173	161,816		662,989
Capital Outlay	84,469	896,265	289,835	1,270,569
Debt Service:				
Principal Retirement			236,281	236,281
Interest and Fiscal Charges			125,214	125,214
<i>Total Disbursements</i>	<u>6,401,276</u>	<u>1,080,811</u>	<u>689,319</u>	<u>8,171,406</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,560,468</u>	<u>(1,053,532)</u>	<u>(689,019)</u>	<u>817,917</u>
Other Financing Sources (Uses)				
Sale of Capital Assets		58,398		58,398
Transfers In			923,000	923,000
Transfers Out	(923,000)			(923,000)
Advances In		1,007,000		1,007,000
Advances Out	(1,007,000)			(1,007,000)
Other Financing Uses	(7,086)			(7,086)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,937,086)</u>	<u>1,065,398</u>	<u>923,000</u>	<u>51,312</u>
Special Item				
Special Item - Proceeds from Sale of Land	0	82,500	0	82,500
<i>Net Change in Fund Balances</i>	623,382	94,366	233,981	951,729
<i>Fund Balances Beginning of Year</i>	7,898,180	93,676	310,728	8,302,584
<i>Fund Balances End of Year</i>	<u>\$8,521,562</u>	<u>\$188,042</u>	<u>\$544,709</u>	<u>\$9,254,313</u>

See accompanying notes to the basic financial statements

CLERMONT COUNTY PUBLIC LIBRARY
Clermont County, Ohio

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund*

For the Year Ended December 31, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$3,306,000	\$3,435,300	\$3,435,300	\$0
Intergovernmental	4,348,360	5,213,954	5,213,954	0
Patron Fines and Fees	271,000	228,495	235,652	7,157
Contributions, Gifts and Donations		34,500	34,895	395
Earnings on Investments	2,020	9,071	9,666	595
Miscellaneous	15,000	30,856	32,277	1,421
<i>Total receipts</i>	<u>7,942,380</u>	<u>8,952,176</u>	<u>8,961,744</u>	<u>9,568</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	3,460,388	3,332,410	3,271,958	60,452
Collection Development and Processing	1,258,536	1,364,734	1,291,660	73,074
Support Services:				
Facilities Operation and Maintenance	1,154,035	1,254,654	1,195,139	59,515
Information Services	373,779	456,959	451,228	5,731
Business Administration	746,174	620,848	510,507	110,341
Capital Outlay	61,991	107,135	94,404	12,731
<i>Total Disbursements</i>	<u>7,054,903</u>	<u>7,136,740</u>	<u>6,814,896</u>	<u>321,844</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>887,477</u>	<u>1,815,436</u>	<u>2,146,848</u>	<u>331,412</u>
Other Financing Sources (Uses)				
Transfers Out	(923,000)	(923,000)	(923,000)	0
Advances Out	0	(1,007,000)	(1,007,000)	0
Other Financing Uses	(10,800)	(7,745)	(7,086)	659
<i>Total Other Financing Sources (Uses)</i>	<u>(933,800)</u>	<u>(1,937,745)</u>	<u>(1,937,086)</u>	<u>659</u>
<i>Net Change in Fund Balance</i>	<u>(46,323)</u>	<u>(122,309)</u>	<u>209,762</u>	<u>332,071</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>7,312,167</u>	<u>7,312,167</u>	<u>7,312,167</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>586,013</u>	<u>586,013</u>	<u>586,013</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$7,851,857</u>	<u>\$7,775,871</u>	<u>\$8,107,942</u>	<u>\$332,071</u>

See accompanying notes to the basic financial statements

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Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 1 – Description of the Library and Reporting Entity

The Clermont County Public Library was organized as a free public library in 1955 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Clermont County Commissioners and the Clermont County Common Pleas Court. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

A reporting entity is comprised of the primary government, component units and other organizations included to assure that the basic financial statements are not misleading. The primary government of the Library consists of all funds, departments, boards and agencies that are not legally separate from the library.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units as described in GASB Statement 14/39.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Library have been prepared on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

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

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Government-wide Financial Statements

The statement of net assets and the statement of activities 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 nonexchange transactions.

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

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor 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 nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds

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

Union Township Capital Project Fund – This fund is used to account for advances and resources used for construction of the new Union Township Library branch.

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

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The Clermont County Public 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 liabilities and the related expenses) are not recorded in these 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 Library Trustees.

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

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

E. Cash and Cash Equivalents and Cash with Escrow Agents/Trustees

Library records identify the purchase of specific investments by specific funds.

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

During 2010, investments were limited to a money market fund and STAR Ohio. The money market fund and STAR Ohio are recorded at cost. The Library's money market fund investment is recorded at amounts reported by US Bank and Fifth Third Bank on December 31, 2010.

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2010.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General Fund during 2010 amounted to \$9,666.

F. Accumulated Leave

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

G. Employer Contributions to Cost-Sharing Pension Plans

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

H. Long-Term Obligations

The Library's modified cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

J. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances

K. Interfund Transactions

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

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

L. Special Items

Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis.) The encumbrances outstanding at year end (budgetary basis) amounted to \$413,620 for the general fund.

Note 4 – Deposits and Investments

Monies held by the Library are classified by State statute into three categories.

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

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

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

Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

Note 4 – Deposits and Investments (continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
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).

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.

Deposits

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2010, the Library had the following investments:

	<u>Carrying Value</u>
US Treasury Fund (Mutual Fund)	\$501,980
STAR Ohio	3,667,117
Total Investments	\$4,169,097

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library’s investment policy addresses interest rate risk by requiring that the Library’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAA by Standard and Poor’s. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

Note 4 – Deposits and Investments (continued)

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

Note 5 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in Clermont County. Real property tax receipts received in 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009, on the assessed values as of January 1, 2009 the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2010 represent the collection of 2009 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2009 were levied after Oct 1, 2009 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2010 (other than public utility property) represent the collection of 2010 taxes. Tangible personal property taxes received in 2010 were levied after October 1, 2009 on the true value as of December 31, 2009). Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Library operations for the year ended December 31, 2010, was \$.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property	
Residential	\$3,233,757,380
Agricultural	100,751,410
Commercial/Industrial/Mineral	806,901,700
Tangible Personal Property	
Business	4,240,082
Public Utility	296,982,940
Total Assessed Value	<u>\$ 4,442,633,512</u>

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

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

Note 6 – Interfund Receivables/Payables

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. As of December 31, 2010, the Union Township Capital Project Fund owed the General Fund \$1,007,000 for an advance received in 2010 that had not been repaid.

Note 7 - Risk Management

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles; and
- Errors and omissions

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

The Library also carries Public Official Bond coverage for the fiscal officer. This bond is provided by The Ohio Casualty Insurance Company.

Note 8 - Defined Benefit Pension Plan

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2010, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2010 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, and 2009 were \$438,055 and \$465,582, respectively. The full amount has been contributed for 2010 and 2009. Contributions to the member-directed plan for 2010 and 2009 were \$15,896 and \$25,260, respectively made by the Library and \$11,354 and \$18,043, respectively made by the plan members.

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

Note 9 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 Postemployment Benefit (OPEB) as described in GASB Statement 12.

A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2010 local government employer contribution rate was 14 percent of covered payroll. Each year, the OPERS retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The allocation of employer contributions allocated to health care for members in the Traditional plan was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The allocation of employer contributions allocated to health care for members in the Combined plan was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010. The portion of the Library's contributions used to fund post employment health care benefits for the years ended December 31, 2010 and 2009 were \$165,256, and \$192,359, respectively.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 10 – Debt

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Library Fund Facilities Notes:	\$1,779,583	5.98% outstanding principal at 12-31-2010

The Library Fund Library Facilities Notes are to retire old debt and to finance the construction of the Owensville Library Branch and to improve the facilities at the other Library Branches. The loans will be repaid in monthly installments, including interest, over 20 years collateralized solely by the Library's taxing authority. The Library Notes are a combination of previous 1996A and 1996B notes, which were combined to account for the Library's Notes per section 133.70 of the Ohio Revised Code.

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

Note 10 – Debt (continued)

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year ended December 31:</u>	<u>Library Fund Facilities Notes</u>
2011	\$360,355
2012	358,359
2013	358,430
2014	357,530
2015	355,589
2016	326,113
Total:	<u>\$2,116,376</u>

Note 11 – Interfund Transfers

During the year ended December 31, 2010, the General Fund made transfers of \$923,300 to Other Governmental Funds. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 12 – Subsequent Event

During March 2011, the District authorized the issuance of \$6,180,000 Bonds to finance the costs of Construction of the New Union Township Library Branch. These bonds have a maturity of 20 years.

In addition, the debt described in Note 10 was repaid and reissued in March 2011 at a lower rate. The bonds mature at the original maturity of 2016. The reissuance interest rates are between 2-3%.



Dave Yost • Auditor of State

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

Clermont County Public Library
Clermont County
326 Broadway Street
Batavia, Ohio 45103

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clermont County Public Library, Clermont County, Ohio (the Library), as of and for the year ended December 31, 2010, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 30, 2011, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees and others within the Library. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 30, 2011



Dave Yost • Auditor of State

CLERMONT PUBLIC LIBRARY

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 19, 2011