



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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CHILLICOTHE AND ROSS COUNTY PUBLIC LIBRARY  
ROSS COUNTY

REGULAR AUDIT

For the Year Ended December 31, 2010  
Fiscal Year Audited Under GAGAS: 2010





# Dave Yost • Auditor of State

Board of Trustees  
Chillicothe and Ross County Public Library  
140 South Paint Street  
Chillicothe, Ohio 45601

We have reviewed the *Independent Accountant's Report* of the Chillicothe and Ross County Public Library, Ross County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 8, 2012

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Chillicothe and Ross County Public Library  
Ross County  
Table of Contents

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	3
Statement of Net Assets – Modified Cash Basis .....	9
Statement of Activities – Modified Cash Basis .....	10
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds.....	11
Statement of Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances – Governmental Funds .....	12
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis – General Fund.....	13
Notes to the Basic Financial Statements.....	14
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	23

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## Independent Accountant's Report

Chillicothe and Ross County Public Library  
Ross County  
140 South Paint Street  
Chillicothe, Ohio 45601

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 the Chillicothe and Ross County Public Library, Ross County, (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 the Chillicothe and Ross County Public Library, Ross 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 accounting basis Note 2 describes.

Members of the Board of Trustees  
Chillicothe and Ross County Public Library  
Independent Accountant's Report  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2012 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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential 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 other assurance.



Balestra, Harr & Scherer, CPAs, Inc.  
March 23, 2012

Chillicothe and Ross County Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

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This discussion and analysis of the Chillicothe & Ross County Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2010, within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

**Highlights**

Key highlights for 2010 are as follows:

Net assets of governmental activities decreased \$17,950 or 3% from the prior year.

The Library's general receipts are primarily state income taxes from the Public Library Fund. These funds represent 95.8% of the total cash received for governmental activities during the year. Public Library Fund receipts for 2010 were \$159,396 less than what was received in 2009. The library continues to receive 1.97% of total state tax revenue.

In May of 2010, Ross County voters approved a 1 mil, 5 year levy for the Library. This will result in estimated proceeds of just over \$1,000,000 for the Library, per year for the next five years, beginning in 2011.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Chillicothe and Ross County Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

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### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

### **Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2010, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the condition of the Library's capital assets and the extent of the Library's debt obligations.

In the statement of net assets and the statement of activities, the Library has one type of activity:

Governmental activities. Most of the Library's basic services are reported here, including library services and capital outlay. State income taxes finance most of these activities.

### **Reporting the Library's Most Significant Funds**

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used, is being spent for the intended purpose. The funds of the Library are all considered governmental.

Chillicothe and Ross County Public Library  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2010  
 Unaudited

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Governmental Funds – The Library’s activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library’s governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library’s programs. The Library’s significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library’s major governmental funds are the General Fund and the Capital Project (Building) Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**The Library as a Whole**

Table 1 provides a summary of the Library’s net assets for 2010 compared to 2009 on a modified cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities	
	2010	2009
<b>Assets</b>		
Cash and Cash Equivalents	\$ 544,873	\$ 562,823
Investments	20,500	20,500
Total Assets	\$ 565,373	\$ 583,323
<b>Net Assets</b>		
Restricted for:		
Capital Projects	\$ 130,874	\$ 183,733
Permanent Fund	22,651	-
Other Purposes	4,669	22,768
Unrestricted	407,179	376,822
Total Net Assets	\$ 565,373	\$ 583,323

As mentioned previously, net assets of governmental activities decreased \$17,950 or 3% during 2010.

Chillicothe and Ross County Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

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Table 2 reflects the changes in net assets in 2010 as compared to 2009.

(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2010	Governmental Activities 2009
	<u>2010</u>	<u>2009</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 46,656	\$ 67,231
Operating Grants and Contributions	10,082	8,471
Capital Grants and Contributions	-	50
Total Program Receipts	<u>56,738</u>	<u>75,752</u>
General Receipts:		
Unrestricted Gifts	7,750	-
Library & Local Govt. Support, Not Restr. to Specific Programs	2,051,552	2,210,948
Interest	3,205	3,934
Miscellaneous	22,420	7,768
Total General Receipts	<u>2,084,927</u>	<u>2,222,650</u>
Total Receipts	<u>2,141,665</u>	<u>2,298,402</u>
Disbursements:		
Library Services	2,005,919	2,177,513
Capital Outlay	153,696	103,913
Total Disbursements	<u>2,159,615</u>	<u>2,281,426</u>
Increase (Decrease) in Net Assets	(17,950)	16,976
Net Assets, January 1	<u>583,323</u>	<u>566,347</u>
Net Assets, December 31,	<u>\$ 565,373</u>	<u>\$ 583,323</u>

Program receipts represent only 2.6% of total receipts and are primarily comprised of patron fines and late fees, charges for copies and prints and restricted contributions for specific library programs such as our annual summer reading program and our Capital Project fund.

General receipts represent 97.4% of the Government's total receipts, and of this amount, over 98% are from the Public Library Fund. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Chillicothe and Ross County Public Library  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2010  
 Unaudited

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**Governmental Activities**

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursement for governmental activities is Library Services, which accounts for 92.9% of all governmental disbursements while Capital Outlay accounts for 7.1% of all governmental disbursements. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

<b>Governmental Activities</b>				
	Total Cost Of Services 2010	Net Cost of Services 2010	Total Cost Of Services 2009	Net Cost of Services 2009
Library Services	\$ 2,005,919	\$ 1,949,181	\$ 2,177,513	\$ 2,101,761
Capital Outlay	153,696	153,696	103,913	103,913
<b>Total Expenses</b>	<b>\$ 2,159,615</b>	<b>\$ 2,102,877</b>	<b>\$ 2,281,426</b>	<b>\$ 2,205,674</b>

**The Library's Funds**

Total library funds had receipts of \$2,141,665 and disbursements of \$2,159,615.

General Fund receipts were more than disbursements by \$30,357.

Chillicothe and Ross County Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

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**General Fund Budgeting Highlights**

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2010, the Library amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to a decrease in estimates of the Public Library Fund, grants and fines. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$2,367,138 while actual disbursements were \$2,141,576. The library kept spending below budgeted amounts as demonstrated by the reported variances. With this reduction in spending, there was an increase in the General Fund balance of \$30,357 for 2010.

**Capital Assets and Debt Administration**

**Capital Assets**

The Library keeps track of its capital assets in an Excel spreadsheet format.

**Debt**

The Library has no outstanding debt.

**Current Issues**

With the passage of the library's 1 mill, 5 year operating levy in the May primary, the library is taking steps to secure its financial future. We will reopen our Northside Branch Library in January of 2011 as well as restore the hours cut to our 5 county branch libraries.

**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Nanette L. Clary, Fiscal Officer, Chillicothe & Ross County Public Library, PO Box 185, 140 S. Paint Street, Chillicothe, OH 45601.

**CHILLCOTHE AND ROSS COUNTY PUBLIC LIBRARY  
ROSS COUNTY**

**STATEMENT OF NET ASSETS  
MODIFIED CASH BASIS  
DECEMBER 31, 2010**

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	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 544,873
Investments	<u>20,500</u>
Total Assets	<u>\$ 565,373</u>
<b>Net Assets:</b>	
Restricted for:	
Capital Projects	\$ 130,874
Permanent Fund	22,651
Other Purposes	4,669
Unrestricted	<u>407,179</u>
Total Net Assets	<u>\$ 565,373</u>

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



**CHILLICOTHE AND ROSS COUNTY PUBLIC LIBRARY  
ROSS COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<b>General Fund</b>	<b>Capital Project Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 407,179	\$ 130,874	\$ 6,820	\$ 544,873
Investments	-	-	20,500	20,500
	<u>\$ 407,179</u>	<u>\$ 130,874</u>	<u>\$ 27,320</u>	<u>\$ 565,373</u>
Total Assets	<u>\$ 407,179</u>	<u>\$ 130,874</u>	<u>\$ 27,320</u>	<u>\$ 565,373</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$ 37,244	\$ 1,000	\$ -	\$ 38,244
Unreserved:				
Undesignated, Reported in:				
General Fund	369,935	-	-	369,935
Capital Projects Fund	-	129,874	-	129,874
Permanent Fund	-	-	22,651	22,651
Other Funds	-	-	4,669	4,669
	<u>-</u>	<u>-</u>	<u>4,669</u>	<u>4,669</u>
Total Fund Balances	<u>\$ 407,179</u>	<u>\$ 130,874</u>	<u>\$ 27,320</u>	<u>\$ 565,373</u>

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

**CHILLICOTHE AND ROSS COUNTY PUBLIC LIBRARY  
ROSS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Receipts</b>				
Library and Local Government Support	\$ 2,035,151	\$ -	\$ -	\$ 2,035,151
Intergovernmental	16,401	-	-	16,401
Patron Fines and Fees	45,417	-	-	45,417
Contributions, Gifts and Donations	13,163	-	-	13,163
Earnings on Investments	898	-	2,307	3,205
Miscellaneous	23,659	-	4,669	28,328
Total Receipts	<u>2,134,689</u>	<u>-</u>	<u>6,976</u>	<u>2,141,665</u>
<b>Disbursements</b>				
Current				
Library Services	1,979,677	23,818	2,424	2,005,919
Capital Outlay	124,655	29,041	-	153,696
Total Disbursements	<u>2,104,332</u>	<u>52,859</u>	<u>2,424</u>	<u>2,159,615</u>
Net Change in Fund Balances	30,357	(52,859)	4,552	(17,950)
Fund Balances Beginning of Year	<u>376,822</u>	<u>183,733</u>	<u>22,768</u>	<u>583,323</u>
Fund Balances End of Year	<u>\$ 407,179</u>	<u>\$ 130,874</u>	<u>\$ 27,320</u>	<u>\$ 565,373</u>

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

**CHILlicoTHE AND ROSS COUNTY PUBLIC LIBRARY  
ROSS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Library and Local Government Support	\$ 2,017,481	\$ 1,983,639	\$ 2,035,151	\$ 51,512
Intergovernmental	31,855	14,905	16,401	1,496
Patron Fines and Fees	60,500	47,000	45,417	(1,583)
Contributions, Gifts and Donations	7,000	9,755	13,163	3,408
Earnings on Investments	500	500	898	398
Miscellaneous	9,800	17,300	23,659	6,359
Total Receipts	<u>2,127,136</u>	<u>2,073,099</u>	<u>2,134,689</u>	<u>61,590</u>
<b>Disbursements</b>				
Current				
Library Services	2,169,953	2,217,373	2,010,387	206,986
Capital Outlay	165,565	149,765	131,189	18,576
Total Disbursements	<u>2,335,518</u>	<u>2,367,138</u>	<u>2,141,576</u>	<u>225,562</u>
Excess of Receipts Over (Under) Disbursements	<u>(208,382)</u>	<u>(294,039)</u>	<u>(6,887)</u>	<u>287,152</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Uses	<u>(168,167)</u>	<u>(82,510)</u>	<u>-</u>	<u>82,510</u>
Total Other Financing Sources (Uses)	<u>(168,167)</u>	<u>(82,510)</u>	<u>-</u>	<u>82,510</u>
Net Change in Fund Balances	(376,549)	(376,549)	(6,887)	369,662
Unencumbered Cash Balance Beginning of Year	324,271	324,271	324,271	-
Prior Year Encumbrances Appropriated	<u>52,551</u>	<u>52,551</u>	<u>52,551</u>	<u>-</u>
Fund Balances End of Year	<u>\$ 273</u>	<u>\$ 273</u>	<u>\$ 369,935</u>	<u>\$ 369,662</u>

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

## **Chillicothe and Ross County Public Library**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2010*

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

The Chillicothe and Ross County Public Library was organized under the laws of the State of Ohio. The Library has its own Board of Trustees made up of seven members, four who are appointed by the Ross County Commissioners and three whom are appointed by the Ross County Common Pleas Judge. 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 that of the Fiscal Officer.

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

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

The Friends of the Chillicothe & Ross County Public Library is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The resources the Library receives from the Friends of the Library is not significant in amount to the Library. Therefore, this organization has been excluded from the reporting entity of the Library.

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

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

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

# Chillicothe and Ross County Public Library

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2010*

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

### **A. Basis of Presentation**

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

#### **1. Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Library as a whole. These distinguish between those activities of the Library that are governmental. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental 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 is self-financing on a modified cash basis or draws from the Library's general receipts.

#### **2. 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 non-exchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

**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.

## Chillicothe and Ross County Public Library

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2010*

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

#### **B. Fund Accounting (Continued)**

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

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

#### **C. Basis of Accounting**

The Library's financial statements are prepared using the modified cash basis of accounting. Except for the modifications of investments described in Note 2 E, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

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

#### **D. Budgetary Process**

All funds are legally required to be appropriated. The appropriations resolution is the Trustees' authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

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

#### **E. Cash and Cash Equivalents**

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

## Chillicothe and Ross County Public Library

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2010*

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

#### **E. Cash and Cash Equivalents (Continued)**

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

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

During 2010 investments were limited to money market funds, STAR Ohio, nonnegotiable certificates of deposit and shares of common stock that were left to the Library as a restricted donation. Except for the money market fund and STAR Ohio these investments are recorded at cost, except for common stock, which is valued at its market value as of the date donated.

The Library's money market fund investment is recorded at amounts reported by Huntington National Bank.

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 receipts credited to the General fund during 2010 amounted to \$898.

#### **F. Inventory and Prepaid Items**

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

#### **G. Capital Assets**

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

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

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

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

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8 the employer contributions include portions for pension benefits and for postretirement health care benefits.

## **Chillicothe and Ross County Public Library**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2010*

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

#### **J. 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.

#### **K. 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 a portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

### **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 amounted to \$38,244 for all funds.

### **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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

## Chillicothe and Ross County Public Library

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2010*

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### **Note 4 – Deposits and Investments (Continued)**

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;
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.

At year end, the Library had \$175 in (petty cash and drawer change) undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

#### **A. 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.

**Chillicothe and Ross County Public Library**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2010*

**Note 4 – Deposits and Investments (Continued)**

**B. Investments**

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

	<u>Carrying Value</u>	<u>Maturity</u>
STAR OH	\$362,525	N/A
Culp Fund Common Stock (Penn. Power & Light Company, Fair Market Value - \$42,112 12/31/10)	10,500	N/A
Schlegel Fund CD (Huntington National Bank)	10,000	12/18/2011
Money Market (Huntington National Bank)	<u>170,916</u>	N/A
Total Investments	<u>\$553,941</u>	

STAR Ohio carries a rating of AAAM by Standard and Poor's. The money market fund at Huntington National Bank is a depository account that is collateralized. 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.

**Note 5 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2010, the Library contracted with Cincinnati Insurance Company (Weisenberger Insurance Service) and The Ohio Plan (Rinehart, Walters & Danner) for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
The Ohio Plan	Blanket Building & Commercial Property	\$5,757,241
The Ohio Plan	General Liability	\$4,000,000
The Ohio Plan	Vehicle	\$2,000,000
The Ohio Plan	Inland Marine	\$322,619
The Ohio Plan	Library Officials	\$4,000,000
Cincinnati Insurance Company	Clerk/Deputy Bonds	\$25,000/ea.
The Ohio Plan	Blanket Empl. Bond	\$5,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

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

The Library provides health, life, dental and vision insurance to eligible employees through a private carrier.

## **Chillicothe and Ross County Public Library**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2010*

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### **Note 6 – Grants-In-Aid and Tax Receipts**

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF monies to each county based on the county's prior intangibles tax revenues and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

### **Note 7 - Defined Benefit Pension Plan**

Plan Description - The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll.

The Library's contribution rate for 2010 was 14 percent of covered payroll. For the period January 1, through February 28, 2010, a portion of the Library's contribution equal to 5.5 percent of covered payroll was allocated to fund the postemployment healthcare plan; for the period March 1 through December 31, 2010 this amount was decreased to 5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Library of 14 percent.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$97,226, \$104,726, and \$99,184 respectively. The full amount has been contributed for 2009 and 2008. 92.33% has been contributed for 2010.

### **Note 8 – Postemployment Benefits**

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries.

## Chillicothe and Ross County Public Library

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2010*

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### **Note 8 – Postemployment Benefits (Continued)**

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 – 7377.

Funding Policy – The 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.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14 percent of covered payroll. Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 5.5 percent of covered payroll from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Library's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2010, 2009, and 2008 were \$48,427, \$75,724, and \$99,124 respectively; 100 percent has been contributed for 2009 and 2008. 92.33% has been contributed for 2010.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.



## Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Chillicothe and Ross County Public Library  
Ross County  
140 South Paint Street  
Chillicothe, Ohio 45601

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 the Chillicothe and Ross County Public Library, Ross County, (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 March 23, 2012, 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.

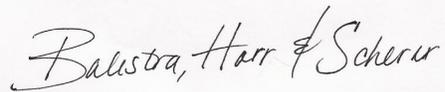
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies 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 Board of Trustees, and others within the Library. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
March 23, 2012



# Dave Yost • Auditor of State

CHILLICOTHE AND ROSS COUNTY PUBLIC LIBRARY

ROSS 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  
JUNE 21, 2012