



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, and each major fund of Clermont County Public Library, Clermont County, Ohio (the Library), as of and for the year ended December 31, 2011, 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 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 cash financial position of the governmental activities and each major fund of Clermont County Public Library, Clermont County, Ohio, as of December 31, 2011, and the respective changes in 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.

As described in Note 3, during 2011, the Library adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 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.

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

July 9, 2012

CLERMONT COUNTY PUBLIC LIBRARY
Clermont County, Ohio
Statement of Net Assets - Cash Basis
December 31, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$13,557,565</u>
<i>Total Assets</i>	<u><u>\$13,557,565</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$2,261,742
Debt Service	1,675
Unrestricted	<u>11,294,148</u>
<i>Total Net Assets</i>	<u><u>\$13,557,565</u></u>

See accompanying notes to the basic financial statements

CLERMONT COUNTY PUBLIC LIBRARY
Clermont County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2011

	<u>Program Cash Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Governmental Activities</u>
Governmental Activities		
Library Services:		
Public Service and Programs	\$3,243,787	(\$3,026,936)
Collection Development and Processing	1,442,436	(1,442,436)
Support Services:		
Facilities Operation and Maintenance	971,029	(971,029)
Information Services	433,006	(433,006)
Business Administration	921,066	(921,066)
Capital Outlay	3,224,655	(3,224,655)
Debt Service		
Principal Retirement	2,224,583	(2,224,583)
Interest and Fiscal Charges	249,414	(249,414)
<i>Total Governmental Activities</i>	<u>\$12,709,976</u>	<u>(12,493,125)</u>
 General Receipts		
Property Taxes Levied for General Purposes		3,444,832
Library and Local Government Support Fund		4,889,459
Intergovernmental Revenues		504,489
Unrestricted Gifts and Contributions		32,549
Sale of Bonds		7,735,000
Premium and Accrued Interest on Debt		29,254
Discount on Debt		(4,346)
Earnings on Investments		8,438
Miscellaneous		46,583
Other Financing Uses		(399,881)
<i>Total General Receipts</i>		<u>16,286,377</u>
Special Item - Proceeds from Sale of Land and Building		<u>510,000</u>
Total General Receipts and Special Item		<u>16,796,377</u>
Change in Net Assets		4,303,252
<i>Net Assets Beginning of Year</i>		<u>9,254,313</u>
<i>Net Assets End of Year</i>		<u>\$13,557,565</u>

See accompanying notes to the basic financial statements

CLERMONT COUNTY PUBLIC LIBRARY
Clermont County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2011

	General Fund	Debt Service Fund	Union Township Capital Project Fund	Capital Project Fund	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$11,294,148	\$1,675	\$2,152,723	\$109,019	\$13,557,565
<i>Total Assets</i>	<u>\$11,294,148</u>	<u>\$1,675</u>	<u>\$2,152,723</u>	<u>\$109,019</u>	<u>\$13,557,565</u>
Fund Balances					
Nonspendable	\$1,234				\$1,234
Restricted		\$1,675	\$2,152,723		2,154,398
Committed	291,007			\$109,019	400,026
Assigned	238,171				238,171
Unassigned	10,763,736				10,763,736
<i>Total Fund Balances</i>	<u>\$11,294,148</u>	<u>\$1,675</u>	<u>\$2,152,723</u>	<u>\$109,019</u>	<u>\$13,557,565</u>

See accompanying notes to the basic financial statements

CLERMONT COUNTY PUBLIC LIBRARY

Clermont County, Ohio

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2011

	General	Debt Service Fund	Union Township Capital Project Fund	Capital Project Fund	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$3,444,832	\$0	\$0	\$0	\$3,444,832
Public Library	4,889,459				4,889,459
Intergovernmental	504,489				504,489
Patron Fines and Fees	216,851				216,851
Contributions, Gifts and Donations	32,549				32,549
Earnings on Investments	8,438				8,438
Miscellaneous	46,583				46,583
<i>Total Receipts</i>	<u>9,143,201</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,143,201</u>
Disbursements					
Current:					
Library Services:					
Public Service and Programs	3,243,787				3,243,787
Collection Development and Processing	1,442,436				1,442,436
Support Services:					
Facilities Operation and Maintenance	971,029				971,029
Information Services	361,360			71,646	433,006
Business Administration	560,764		360,302		921,066
Capital Outlay	25,383		2,739,493	459,779	3,224,655
Debt Service:					
Principal Retirement		2,224,583			2,224,583
Interest and Fiscal Charges		249,414			249,414
<i>Total Disbursements</i>	<u>6,604,759</u>	<u>2,473,997</u>	<u>3,099,795</u>	<u>531,425</u>	<u>12,709,976</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,538,442</u>	<u>(2,473,997)</u>	<u>(3,099,795)</u>	<u>(531,425)</u>	<u>(3,566,775)</u>
Other Financing Sources (Uses)					
Sale of Bonds		1,555,000	6,180,000		7,735,000
Premium and Accrued Interest on Debt		29,254			29,254
Discount on Debt			(4,346)		(4,346)
Transfers In	200,000	1,178,000		223,900	1,601,900
Transfers Out	(1,601,900)				(1,601,900)
Advances In	1,007,000				1,007,000
Advances Out			(1,007,000)		(1,007,000)
Other Financing Uses	(3,892)	(291,811)	(104,178)		(399,881)
<i>Total Other Financing Sources (Uses)</i>	<u>(398,792)</u>	<u>2,470,443</u>	<u>5,064,476</u>	<u>223,900</u>	<u>7,360,027</u>
Special Item					
Special Item - Proceeds from Sale of Land and Building	510,000				510,000
<i>Net Change in Fund Balances</i>	2,649,650	(3,554)	1,964,681	(307,525)	4,303,252
<i>Fund Balances Beginning of Year, Restated</i>	8,644,498	5,229	188,042	416,544	9,254,313
<i>Fund Balances End of Year</i>	<u>\$11,294,148</u>	<u>\$1,675</u>	<u>\$2,152,723</u>	<u>\$109,019</u>	<u>\$13,557,565</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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$3,368,033	\$3,444,832	\$3,444,832	\$0
Public Library	3,677,648	4,889,459	4,889,459	0
Intergovernmental	521,198	504,489	504,489	0
Patron Fines and Fees	225,000	212,000	216,851	4,851
Contributions, Gifts and Donations		32,217	32,549	332
Earnings on Investments	7,550	8,072	8,438	366
Miscellaneous	875	47,096	46,583	(513)
<i>Total Receipts</i>	<u>7,800,304</u>	<u>9,138,165</u>	<u>9,143,201</u>	<u>5,036</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	3,314,513	3,307,394	3,248,728	58,666
Collection Development and Processing	1,404,417	1,491,517	1,469,127	22,390
Support Services:				
Facilities Operation and Maintenance	1,332,524	1,286,341	1,105,048	181,293
Information Services	363,592	424,201	394,651	29,550
Business Administration	948,940	862,907	570,099	292,808
Capital Outlay	9,935	38,947	37,341	1,606
<i>Total Disbursements</i>	<u>7,373,921</u>	<u>7,411,307</u>	<u>6,824,994</u>	<u>586,313</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>426,383</u>	<u>1,726,858</u>	<u>2,318,207</u>	<u>591,349</u>
Other Financing Sources (Uses)				
Transfers In	200,000	200,000	200,000	0
Transfers Out	(1,091,900)	(1,601,900)	(1,601,900)	0
Advances In	1,007,000	1,007,000	1,007,000	0
Other Financing Uses	(15,800)	(24,800)	(18,892)	5,908
<i>Total Other Financing Sources (Uses)</i>	<u>99,300</u>	<u>(419,700)</u>	<u>(413,792)</u>	<u>5,908</u>
Special Item				
Special Item - Proceeds from Sale of Land and Building	0	510,000	510,000	0
<i>Net Change in Fund Balance</i>	525,683	1,817,158	2,414,415	597,257
<i>Unencumbered Fund Balance Beginning of Year, Restated</i>	8,230,878	8,230,878	8,230,878	0
Prior Year Encumbrances Appropriated	413,620	413,620	413,620	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$9,170,181</u>	<u>\$10,461,656</u>	<u>\$11,058,913</u>	<u>\$597,257</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, 2011

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 cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the *modified* cash basis of accounting. 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 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, 2011

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 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 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.

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 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.

Debt Service Fund – This fund is used to account for the accumulation of resources for and the payment of general short term and long term debt principal and interest.

Capital Project Fund – This fund is used to account for resources and expenditures that are permanent improvements made to the library facilities.

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The Clermont County Public Library's financial statements are prepared using the 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 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 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

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 2011, investments were limited to a money market fund at Fifth Third Securities and STAR Ohio. The Library's money market fund investment is recorded at amounts reported by Fifth Third Securities on December 31, 2011.

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 Rule2a7 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, 2011.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General Fund during 2011 amounted to \$8,438.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. Long-Term Obligations

The Library's 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.

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.

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 3– Change in Accounting Principle and Restatement of Net Assets/Fund Equity

For 2011, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had the following effect on fund balances of the major governmental funds and all other governmental funds as previously reported:

	General Fund	Debt Service Fund	Union Township Capital Project Fund	Capital Project Fund	Other Governmental Funds	Total
Fund Balance at December 31, 2010	\$8,521,562	\$5,229	\$188,042	\$416,544	\$122,936	\$9,254,313
GASB 54 Change in Fund Structure	122,936	0	0	0	(122,936)	0
Adjusted Fund Balance at December 31, 2010	\$8,644,498	\$5,229	\$188,042	\$416,544	\$0	\$9,254,313

Note 4 – 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 cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis.) The encumbrances outstanding at year end (budgetary basis) amounted to \$235,235 for the General Fund.

Note 5 – 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.

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 5 – 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.

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, 2011, the Library had the following investments:

	<u>Carrying Value</u>
Money Market Fund	\$6,144,129
STAR Ohio	3,669,177
Total Investments	<u>\$9,813,306</u>

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 5 – Deposits and Investments (continued)

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.

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 6 - 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 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010 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 2011 represent the collection of 2010 taxes. Public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2010 were levied after Oct 1, 2010 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 2011 (other than public utility property) represent the collection of 2011 taxes. Tangible personal property taxes received in 2011 were levied after October 1, 2010 on the true value as of December 31, 2010. 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.

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 6 - Property Taxes (continued)

The full tax rate for all Library operations for the year ended December 31, 2011, was \$.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property	
Residential	\$3,281,499,360
Agricultural	101,571,030
Commercial/Industrial/Mineral	797,826,960
Tangible Personal Property	
Business	0
Public Utility	300,397,840
Total Assessed Value	<u>\$ 4,481,295,190</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.

Note 7 – 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, 2011, there were no outstanding advances due to the General Fund.

Note 8 - 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 9 - 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

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 9 - Defined Benefit Pension Plan (continued)

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, 2011, 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 2011 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, 2011, 2010 and 2009 were \$459,151, \$438,055 and \$465,582, respectively. The full amount has been contributed for all years. Contributions to the member-directed plan for 2011, 2010 and 2009 were \$9,907, \$15,896 and \$25,260, respectively made by the Library and \$7,076, \$11,354 and \$18,043, respectively made by the plan members.

Note 10 - 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 2011 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 4% during calendar year 2011. The allocation of employer contributions allocated to health care for members in the Combined plan was 6.05% during calendar year 2011. The portion of the Library's contributions used to fund post employment health care benefits for the years ended December 31, 2011, 2010 and 2009 were \$131,186, \$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

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 1994, was effective January 1, 2007. Member and employer contribution rates for local employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

Clermont County Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 11 – Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Library Series 2011A, B, C:	\$7,290,000	2-5%

During March 2011, the Library 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, maturing in 2031. The interest rates are between 2-5%.

In addition, the Library repaid and reissued debt totaling \$1,555,000 in March, 2011 at a lower interest rate. The bonds mature at the original maturity of 2016. The reissuance interest rates are between 2-3%.

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

<u>Year ended December 31</u>	<u>Series 2011 A, B, C</u>
2012	\$753,259
2013	756,809
2014	754,359
2015	756,109
2016	727,671
2017-2021	2,254,406
2022-2026	2,260,026
2027-2031	2,257,994
Total	<u>\$10,520,633</u>

Note 12 – Interfund Transfers

Following is a summary of transfers in and out for all funds for 2011:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$200,000	\$1,601,900
Debt Service Fund	1,178,000	0
Capital Project Fund	223,900	0
Totals	<u>\$1,601,900</u>	<u>\$1,601,900</u>

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. The \$200,000 transfer in to the General Fund related to monies from the Library's General Fund to the 27th Pay Fund which is reported as part of the General Fund.

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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, and each major fund of Clermont County Public Library, Clermont County, Ohio (the Library), as of and for the year ended December 31, 2011, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 9, 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 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

July 9, 2012



Dave Yost • Auditor of State

CLERMONT COUNTY 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 26, 2012