



Dave Yost • Auditor of State

CLERMONT COUNTY PUBLIC LIBRARY
CLERMONT COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clermont County Public Library, Clermont County, Ohio (the Library), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clermont County Public Library, Clermont County, Ohio, as of December 31, 2015, and the respective changes in cash financial position and the budgetary comparison for the General and thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Dave Yost
Auditor of State

Columbus, Ohio

December 8, 2016

Clermont County Public Library
Statement of Net Position - Cash Basis
December 31, 2015

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$15,125,301
<i>Total Assets</i>	<u><u>\$15,125,301</u></u>
Net Position	
Restricted for:	
Capital Projects	\$393,316
Debt Service	5,040,529
Other Purposes	
Unrestricted	<u>9,691,456</u>
<i>Total Net Position</i>	<u><u>\$15,125,301</u></u>

See accompanying notes to the basic financial statements

Clermont County Public Library
Statement of Activities - Cash Basis
For the Year Ended December 31, 2015

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Governmental Activities
Governmental Activities			
Current:			
Library Services:			
Public Services and Programs	3,824,157	190,112	(\$3,634,045)
Collection Development and Processing	1,619,641		(1,619,641)
Support Services:			
Facilities Operation and Maintenance	869,954		(869,954)
Information Services	575,669		(575,669)
Business Administration	690,351		(690,351)
Capital Outlay	135,968		(135,968)
Debt Service:			
Principal Retirement	515,000		(515,000)
Interest and Fiscal Charges	241,108		(241,108)
<i>Total Governmental Activities</i>	<u>8,471,848</u>	<u>190,112</u>	<u>(8,281,736)</u>
General Receipts:			
Property Taxes Levied for General Purposes			3,335,698
Intergovernmental Revenues			420,662
Library and Local Government Support			5,164,400
Unrestricted Gifts and Contributions			30,694
Earnings on Investments			15,695
Miscellaneous			65,621
Other financing uses			<u>(13,069)</u>
<i>Total General Receipts</i>			<u>9,019,701</u>
Change in Net Position			737,965
<i>Net Position Beginning of Year</i>			<u>14,387,336</u>
<i>Net Position End of Year</i>			<u><u>\$15,125,301</u></u>

See accompanying notes to the basic financial statements

Clermont County Public Library
Statement of Assets and Fund Balances- Cash Basis
For the Year Ended
December 31, 2015

	<u>General</u>	<u>Debt Service Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$9,691,456	\$5,040,529	\$393,316	\$15,125,301
<i>Total Assets</i>	<u>\$9,691,456</u>	<u>\$5,040,529</u>	<u>\$393,316</u>	<u>\$15,125,301</u>
Fund Balances				
Nonspendable	\$1,854			\$1,854
Restricted		\$5,040,529		5,040,529
Committed	\$494,257		\$393,316	887,573
Assigned	297,361			297,361
Unassigned (Deficit)	8,897,984			8,897,984
<i>Total Fund Balances</i>	<u>\$9,691,456</u>	<u>\$5,040,529</u>	<u>\$393,316</u>	<u>\$15,125,301</u>

See accompanying notes to the basic financial statements

Clermont County Public Library
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2015

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$3,335,698			\$3,335,698
Public Library	5,164,400			5,164,400
Intergovernmental	420,662			420,662
Patron Fines and Fees	190,112			190,112
Contributions, Gifts and Donations	30,694			30,694
Earnings on Investments	15,695			15,695
Miscellaneous	65,621			65,621
<i>Total Receipts</i>	<u>9,222,882</u>	<u>0</u>	<u>0</u>	<u>9,222,882</u>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	3,824,157			3,824,157
Collection Development and Processing	1,619,641			1,619,641
Support Services:				
Facilities Operation and Maintenance	869,954			869,954
Information Services	559,448		16,221	575,669
Business Administration	688,954		1,397	690,351
Capital Outlay	40,771		95,197	135,968
Debt Service:				
Principal Retirement		515,000		515,000
Interest and Fiscal Charges		241,108		241,108
<i>Total Disbursements</i>	<u>7,602,925</u>	<u>756,108</u>	<u>112,815</u>	<u>8,471,848</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,619,957</u>	<u>(756,108)</u>	<u>(112,815)</u>	<u>751,034</u>
Other Financing Sources (Uses)				
Transfers In	150,000	5,757,000	177,850	6,084,850
Transfers Out	(6,084,850)			(6,084,850)
Advances In			100,000	100,000
Advances Out	(100,000)			(100,000)
Other Financing Uses	(13,069)			(13,069)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,047,919)</u>	<u>5,757,000</u>	<u>277,850</u>	<u>(13,069)</u>
<i>Net Change in Fund Balances</i>	(4,427,962)	5,000,892	165,035	737,965
<i>Fund Balances Beginning of Year</i>	13,794,098	39,637	218,776	14,052,511
Prior Year Encumbrances Appropriated	325,320		9,505	334,825
<i>Fund Balances End of Year</i>	<u>\$9,691,456</u>	<u>\$5,040,529</u>	<u>\$393,316</u>	<u>\$15,125,301</u>

See accompanying notes to the basic financial statements

Clermont County Public Library
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$3,318,392	\$3,335,698	\$3,335,698	\$0
Public Library Fund	4,500,000	5,164,400	5,164,400	0
Intergovernmental	423,000	420,662	420,662	0
Patron Fines and Fees	175,000	183,000	190,112	7,112
Contributions, Gifts and Donations	0	30,220	30,694	474
Earnings on Investments	3,050	13,220	15,695	2,475
Miscellaneous	2,000	64,492	65,621	1,129
<i>Total Receipts</i>	<u>8,421,442</u>	<u>9,211,692</u>	<u>9,222,882</u>	<u>11,190</u>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	3,922,381	3,918,363	3,835,621	82,742
Collection Development and Processing	1,617,614	1,701,547	1,667,763	33,784
Support Services:				
Facilities Operation and Maintenance	1,244,300	1,259,435	1,019,415	240,020
Information Services	604,817	671,186	599,912	71,274
Business Administration	802,161	879,758	711,677	168,081
Capital Outlay	18,450	61,618	59,978	1,640
<i>Total Disbursements</i>	<u>8,209,723</u>	<u>8,491,907</u>	<u>7,894,366</u>	<u>597,541</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>211,719</u>	<u>719,785</u>	<u>1,328,516</u>	<u>608,731</u>
Other Financing Sources (Uses)				
Transfers In		150,000	150,000	0
Transfers Out	(757,000)	(6,084,850)	(6,084,850)	0
Advances Out		(100,000)	(100,000)	0
Other Financing Uses	(34,564)	(31,865)	(16,053)	15,812
<i>Total Other Financing Sources (Uses)</i>	<u>(791,564)</u>	<u>(6,066,715)</u>	<u>(6,050,903)</u>	<u>15,812</u>
<i>Net Change in Fund Balance</i>	(579,845)	(5,346,930)	(4,722,387)	624,543
<i>Unencumbered Fund Balance Beginning of Year</i>	13,794,098	13,794,098	13,794,098	0
Prior Year Encumbrances Appropriated	325,320	325,320	325,320	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$13,539,573</u>	<u>\$8,772,488</u>	<u>\$9,397,031</u>	<u>\$624,543</u>

See accompanying notes to the basic financial statements

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**CLERMONT COUNTY PUBLIC LIBRARY
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 cash basis of accounting. 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 position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**CLERMONT COUNTY PUBLIC LIBRARY
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Government-wide Financial Statements

The statement of net position 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 position 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. 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 cash basis or draws from the Library's general receipts.

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Library's funds are all classified as governmental.

Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds

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

Debt Service Fund - The debt service fund accounts for the principal and interest payments for the debt issued by the Library.

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

**CLERMONT COUNTY PUBLIC LIBRARY
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

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

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

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

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

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 2015, investments were limited to a money market fund at Fifth Third Securities and STAR Ohio. The Library's money market fund investments are recorded at amounts reported by Fifth Third Securities and Star Ohio on December 31, 2015.

**CLERMONT COUNTY PUBLIC LIBRARY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2015.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General Fund during 2015 amounted to \$15,695.

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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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 cash basis of accounting.

G. Employer Contributions to Cost-Sharing Pension Plans

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

H. Long-Term Obligations

The Library's 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 a financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

I. Net Position

Net position is 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 position is available.

J. Fund Balance Reserves

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

K. Interfund Transactions

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

**CLERMONT COUNTY PUBLIC LIBRARY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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 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 \$294,425 for the General Fund.

Note 4 – Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or 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.

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;

**CLERMONT COUNTY PUBLIC LIBRARY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 4 – Deposits and Investments (continued)

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, 2015, the Library had the following investments:

	<u>Carrying Value</u>
Fifth Third Money Market Account	\$6,160,857
STAR Ohio	3,678,522
Total Investments	<u>\$9,839,379</u>

Interest Rate Risk

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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.

Credit Risk

STAR Ohio carries a rating of AAAM 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.

Custodial Credit Risk

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

**CLERMONT COUNTY PUBLIC LIBRARY
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 4 – Deposits and Investments (continued)

trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

Note 5 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 to each county based on the total tax revenue credited to the State’s general revenue fund during the preceding month. The County Budget Commission bases the amount for distribution on the needs of such library for the construction of new library buildings, parts of buildings, improvements, operation, maintenance, or other expenses. The County Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments’ Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Real Property	\$3,335,697.64
Public Utility Personal Property	<u>\$ 420,661.56</u>
Total	\$3,756,359.20

Note 6 – Interfund Receivables/Payables

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. As of December 31, 2015, there was one outstanding advances due to the General Fund from the Miami Township Capital Fund in the amount of 100,000.

Note 7 - 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 2015, the Library contracted with several companies for various types of insurance coverage as follows:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 7 - Risk Management (continued)

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Philadelphia Insurance Company	Property	\$35,840,400
	Commercial Umbrella Liability	3,000,000
	Inland Marine	1,250,000
	Crime	500
	Earthquake	33,600,000
	General Liability, in aggregate	2,000,000
	General Liability, per occurrence	1,000,000
	Fleet Insurance, single limit	1,000,000
	Fleet Insurance, uninsured	1,000,000
	Employee Dishonesty	2,000,000
Ohio Casualty	Public Officials Bond	500,000

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.

Note 8 - 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 Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which 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 Pension 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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2015, 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 2015 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2015, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2015, member and employer contribution rates were consistent across all three plans.

**CLERMONT COUNTY PUBLIC LIBRARY
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 8 - Defined Benefit Pension Plan (continued)

The Library's 2015 contribution rate was 14 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 2 percent. The portion of employer contributions allocated to health care for members in the Combined Plan was 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2015, and 2014 were \$460,312 and \$432,013, respectively. The full amount has been contributed for 2015 and 2014.

Note 9 - Postemployment Benefits

Plan Description - 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 45.

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 2015 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 2% during calendar year 2015. The allocation of employer contributions allocated to health care for members in the Combined plan was 2% during calendar year 2014. The portion of the Library's contributions used to fund post employment health care benefits for the years ended December 31, 2015 and 2014 were \$76,719 and \$72,002, 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

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 1 percent of the employer contributions toward the health care fund after the end of the transition period.

**CLERMONT COUNTY PUBLIC LIBRARY
CLERMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 10 – Debt

Debt outstanding at December 31, 2015, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Library Series 2011A, B, C:	\$5,310,000	2-5%

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

During March 2011, the Library also Refunded 1996 Notes at a lower interest rate which maintained 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 2011A, B, C Notes</u>
2016	727,671
2017	452,721
2018	450,521
2019	450,721
2020	450,521
2021-2025	2,259,429
2026-2030	2,257,013
2031	451,500
 Total	 <u>7,500,098</u>

Note 11 – Interfund Transfers

During the year ended December 31, 2015, the General Fund made transfers of \$177,850 to Other Governmental Funds and the General Fund made transfers of \$757,000 and 5,000,000 to the Debt Service Fund.

As a result of the 27th Pay occurring in 2015, a transfer of 150,000 was made from the 27th Pay contingency General Fund sub-account to cover additional payroll expenditures which were made from the General Fund.

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.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clermont County Public Library, Clermont County, (the Library) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated December 8, 2016, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost
Auditor of State

Columbus, Ohio

December 8, 2016