



Dave Yost • Auditor of State



**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Piqua Public Library  
Miami County  
116 West High Street  
Piqua, Ohio 45356

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities and each major fund of Piqua Public Library, Miami County, Ohio (Library), as of and for the years ended December 31, 2015 and 2014, 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 and each major fund of Piqua Public Library, Miami County, Ohio, as of December 31, 2015 and 2014, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years 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 August 16, 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

August 16, 2016

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
DECEMBER 31, 2015**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$594,459
Total Assets	<u>594,459</u>
<b>Net Position:</b>	
<b>Restricted for:</b>	
Capital Projects	117,571
Unrestricted	476,888
Total Net Position	<u>\$594,459</u>

*See accompanying notes to the basic financial statements.*

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Program Cash Receipts</b>	<b>Net (Disbursements) Receipts and Changes in Net Position</b>
<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Governmental Activities</b>
<b>Governmental Activities:</b>		
<b>Current:</b>		
<b>Library Services:</b>		
Public Services and Programs	\$1,217,599	\$17,128
Capital Outlay	1,531	(\$1,200,471)
Total Governmental Activities	<u>\$1,219,130</u>	<u>(1,531)</u> <u>(1,202,002)</u>
<b>General Receipts:</b>		
Property Taxes		491,363
Unrestricted Gifts and Contributions		6,449
Grants/Entitlements not Restricted to Specific Programs		661,812
Earnings on Investments		617
Miscellaneous		3,754
Total General Receipts		<u>1,163,995</u>
Change in Net Position		(38,007)
Net Position Beginning of Year		<u>632,466</u>
Net Position End of Year		<u>\$594,459</u>

See accompanying notes to the basic financial statements.

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$476,888	\$117,571	\$594,459
Total Assets	476,888	117,571	594,459
 <b>Fund Balances:</b>			
Committed		117,571	117,571
Assigned	235,666		235,666
Unassigned (Deficit)	241,222		241,222
Total Fund Balances	\$476,888	\$117,571	\$594,459

*See accompanying notes to the basic financial statements.*

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>			
Property and Other Local Taxes	\$429,327		\$429,327
Public Library	661,812		661,812
Intergovernmental	62,036		62,036
Patron Fines and Fees	17,128		17,128
Contributions, Gifts and Donations	6,449		6,449
Earnings on Investments	502	\$115	617
Miscellaneous	3,754		3,754
Total Receipts	<u>1,181,008</u>	<u>115</u>	<u>1,181,123</u>
<b>Disbursements:</b>			
<b>Current:</b>			
<b>Library Services:</b>			
Public Services and Programs	1,217,599		1,217,599
Capital Outlay	1,030	501	1,531
Total Disbursements	<u>1,218,629</u>	<u>501</u>	<u>1,219,130</u>
Net Change in Fund Balances	(37,621)	(386)	(38,007)
Fund Balances Beginning of Year	<u>514,509</u>	<u>117,957</u>	<u>632,466</u>
Fund Balances End of Year	<u><u>\$476,888</u></u>	<u><u>\$117,571</u></u>	<u><u>\$594,459</u></u>

*See accompanying notes to the basic financial statements.*

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$410,000	\$410,000	\$429,327	\$19,327
Public Library	570,000	570,000	661,812	91,812
Intergovernmental	65,000	65,000	62,036	(2,964)
Patron Fines and Fees	23,500	23,500	17,128	(6,372)
Contributions, Gifts and Donations	1,550	1,550	6,449	4,899
Earnings on Investments	200	200	502	302
Miscellaneous	10,508	10,508	3,754	(6,754)
Total Receipts	<u>1,080,758</u>	<u>1,080,758</u>	<u>1,181,008</u>	<u>100,250</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Library Services:</b>				
Public Services and Programs	1,348,794	1,348,794	1,226,456	122,338
Capital Outlay	5,700	5,700	1,030	4,670
Total Disbursements	<u>1,354,494</u>	<u>1,354,494</u>	<u>1,227,486</u>	<u>127,008</u>
Excess of Receipts Over (Under) Disbursements	<u>(273,736)</u>	<u>(273,736)</u>	<u>(46,478)</u>	<u>227,258</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(500)	(500)		500
Other Financing Uses	(1,000)	(1,000)		1,000
Total Other Financing Sources (Uses)	<u>(1,500)</u>	<u>(1,500)</u>		<u>1,500</u>
Net Change in Fund Balance	(275,236)	(275,236)	(46,478)	228,758
Unencumbered Fund Balance Beginning of Year	507,439	507,439	507,439	
Prior Year Encumbrances Appropriated	7,071	7,071	7,071	
Unencumbered Fund Balance End of Year	<u>\$239,274</u>	<u>\$239,274</u>	<u>\$468,032</u>	<u>\$228,758</u>

See accompanying notes to the basic financial statements.

PIQUA PUBLIC LIBRARY  
MIAMI COUNTY

STATEMENT OF NET POSITION - CASH BASIS  
DECEMBER 31, 2014

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$632,466
Total Assets	<u>\$632,466</u>
<b>Net Position:</b>	
<b>Restricted for:</b>	
Capital Projects	\$117,957
Unrestricted	514,509
Total Net Position	<u>\$632,466</u>

*See accompanying notes to the basic financial statements.*

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Program Cash Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Net Position</u>
<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>		
Current:		
<b>Library Services:</b>		
Public Services and Programs	19,002	(\$1,186,191)
Capital Outlay	13,111	(13,111)
Total Governmental Activities	<u>19,002</u>	<u>(1,199,302)</u>
<b>General Receipts:</b>		
Property Taxes		487,626
Unrestricted Gifts and Contributions		2,834
Grants/Entitlements not Restricted to Specific Programs		601,220
Earnings on Investments		211
Miscellaneous		5,419
Total General Receipts		<u>1,097,310</u>
Change in Net Position		(101,992)
Net Position Beginning of Year		<u>734,458</u>
Net Position End of Year		<u><u>\$632,466</u></u>

See accompanying notes to the basic financial statements.

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$514,509	\$117,957	\$632,466
Total Assets	514,509	117,957	632,466
 <b>Fund Balances:</b>			
Committed		117,957	117,957
Assigned	208,370		208,370
Unassigned (Deficit)	306,139		306,139
Total Fund Balances	\$514,509	\$117,957	\$632,466

*See accompanying notes to the basic financial statements.*

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>			
Property and Other Local Taxes	\$425,421		\$425,421
Public Library	601,220		601,220
Intergovernmental	62,205		62,205
Patron Fines and Fees	19,002		19,002
Contributions, Gifts and Donations	2,834		2,834
Earnings on Investments	174	\$37	211
Miscellaneous	5,419		5,419
Total Receipts	<u>1,116,275</u>	<u>37</u>	<u>1,116,312</u>
<b>Disbursements:</b>			
<b>Current:</b>			
<b>Library Services:</b>			
Public Services and Programs	1,204,568	625	1,205,193
Capital Outlay	4,013	9,098	13,111
Total Disbursements	<u>1,208,581</u>	<u>9,723</u>	<u>1,218,304</u>
Net Change in Fund Balances	(92,306)	(9,686)	(101,992)
Fund Balances Beginning of Year	<u>606,815</u>	<u>127,643</u>	<u>734,458</u>
Fund Balances End of Year	<u><u>\$514,509</u></u>	<u><u>\$117,957</u></u>	<u><u>\$632,466</u></u>

*See accompanying notes to the basic financial statements.*

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$465,000	\$465,000	\$425,421	(\$39,579)
Public Library	596,524	596,525	601,220	4,695
Intergovernmental	66,000	66,000	62,205	(3,795)
Patron Fines and Fees	23,000	23,000	19,002	(3,998)
Contributions, Gifts and Donations	2,000	2,000	2,834	834
Earnings on Investments	250	250	174	(76)
Miscellaneous	8,400	8,400	5,419	(2,981)
Total Receipts	<u>1,161,174</u>	<u>1,161,175</u>	<u>1,116,275</u>	<u>(44,900)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Library Services:</b>				
Public Services and Programs	1,336,701	1,336,702	1,211,638	125,064
Capital Outlay	10,000	10,000	4,013	5,987
Total Disbursements	<u>1,346,701</u>	<u>1,346,702</u>	<u>1,215,651</u>	<u>131,051</u>
Excess of Receipts Over (Under) Disbursements	<u>(185,527)</u>	<u>(185,527)</u>	<u>(99,376)</u>	<u>86,151</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(500)	(500)		500
Other Financing Uses	<u>(1,000)</u>	<u>(1,000)</u>		<u>1,000</u>
Total Other Financing Sources (Uses)	<u>(1,500)</u>	<u>(1,500)</u>		<u>1,500</u>
Net Change in Fund Balance	(187,027)	(187,027)	(99,376)	87,651
Unencumbered Fund Balance Beginning of Year	600,537	600,537	600,537	
Prior Year Encumbrances Appropriated	<u>6,278</u>	<u>6,278</u>	<u>6,278</u>	
Unencumbered Fund Balance End of Year	<u>\$419,788</u>	<u>\$419,788</u>	<u>\$507,439</u>	<u>\$87,651</u>

*See accompanying notes to the basic financial statements.*

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY**

Piqua Public Library (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Piqua City School District Board of Education (the Board of Education). The Library determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being that of the Treasurer.

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Piqua City School District.

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. Component units may also include organizations for which the Library authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library. The Library has no component units.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in the Basis of Accounting section of this note, the financial statements of the Piqua Public 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.

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. 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 non-exchange transactions.

The statement of net position presents the cash balance 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 and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, 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.

**2. Fund Financial Statements**

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

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

**General Fund** - The general fund accounts for and reports all financial resources not accounted for and reported 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.

**Building Fund** - The building fund accounts for and reports resources committed by the Board of Library Trustees specifically for capital and technology improvements.

**C. Basis of Accounting**

The 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.

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Treasurer. 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 receipts at the time final appropriations were enacted by the Trustees.

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

**E. Cash and Cash Equivalents**

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2015 and 2014 amounted to \$502 and \$174, respectively. All interest assigned to the General Fund was earned by the General Fund.

**F. Inventory and Prepaid Items**

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

**G. Capital Assets**

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

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Accumulated Leave**

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

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

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

**J. 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 positions are available.

**K. 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:

**Non-spendable** - The non-spendable 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.

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications.

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.

**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 – Budget 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 treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end 2015 and 2014 (budgetary basis) amounted to \$8,857 and \$7,071, respectively, for the general fund.

**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;

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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 two 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. Payment for investments may be made only upon delivery of the securities representing the investments to the clerk/treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end 2015 and 2014, the Library had \$125 in un-deposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2015, \$386,989 of the Library's bank balance of \$636,989 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name. At year-end 2014, \$408,423 of the Library's bank balance of \$658,423 was exposed to custodial credit risk.

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.

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**5. PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the Library's area. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2015, was \$1.30 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

Real Property	\$369,583,590
Public Utility Personal Property	6,167,950
Total	\$375,751,540

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.

**6. 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 Cincinnati Insurance Co. for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage
Cincinnati Insurance Co.	Commercial Property	\$2,125,000
	General Liability	1,000,000
	Vehicle	1,000,000
	Commercial Umbrella Liability	4,000,000
	Public Officials Bond	5,000

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

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

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**7. DEFINED BENEFIT PENSION PLAN**

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 members, 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, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

**Funding Policy** – The Ohio Revised Code provides statutory authority for member and employer contributions 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.

The Library's contribution rate for 2015 and 2014 was 14 percent. The portion of the Library's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the Library's contribution allocated to health care for members was 2 percent for 2015 and 2014. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2015, 2014, and 2013 were \$61,688, \$61,309, and \$58,721, respectively; the full amount has been contributed for 2015, 2014, and 2013.

**8. POST-EMPLOYMENT BENEFITS**

**Plan Description** – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**8. POST-EMPLOYMENT BENEFITS (Continued)**

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 Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

**Funding Policy** – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment healthcare benefits. The portion of the employer contribution allocated to healthcare for members was 2 percent for 2015 and 2014.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Library’s contribution allocated to fund postemployment healthcare benefits for the years ended December 31, 2015, 2014, and 2013 was \$10,281, \$10,218, and \$9,787, respectively. The full amount has been contributed for all three years.

**9. FUND BALANCES**

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds are presented below:

<u>2015 Fund Balances</u>	<u>General</u>	<u>Building</u>	<u>Total</u>
<b>Committed to:</b>			
Capital Outlay		\$117,571	\$117,571
<b>Assigned to:</b>			
2016 appropriations	\$226,809		226,809
Outstanding encumbrances	8,857		8,857
Total Assigned	<u>235,666</u>		<u>235,666</u>
Unassigned (Deficit)	<u>241,222</u>		<u>241,222</u>
Total Fund Balances	<u>\$476,888</u>	<u>\$117,571</u>	<u>\$594,459</u>

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**9. FUND BALANCES (Continued)**

<u>2014 Fund Balances</u>	<u>General</u>	<u>Building</u>	<u>Total</u>
<b>Committed to:</b>			
Capital Outlay		\$117,957	\$117,957
<b>Assigned to:</b>			
2015 appropriations	\$201,299		201,299
Outstanding encumbrances	7,071		7,071
Total Assigned	208,370		208,370
Unassigned (Deficit)	306,139		306,139
Total Fund Balances	<u>\$514,509</u>	<u>\$117,957</u>	<u>\$632,466</u>

**10. LEASES**

The Library leases a building under a non-cancelable lease. The Library disbursed \$135,000 to pay lease costs for the year ended December 31, 2015 and 2014. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$135,000
2017	135,000
2018	135,000
2019	135,000
2020	135,000
2021-2024	540,000
	<u>\$1,215,000</u>



# 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*

Piqua Public Library  
Miami County  
116 West High Street  
Piqua, Ohio 45356

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 cash-basis financial statements of the governmental activities and each major fund of the Piqua Public Library, Miami County, (the Library) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 16, 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 opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

### ***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*.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402  
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***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.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 16, 2016

**PIQUA PUBLIC LIBRARY  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001**

**Material Weakness – Fund Balance Classifications**

**Governmental Accounting Standards Board (GASB) Statement No. 54**, Fund Balance Reporting and Governmental Fund Type Definitions, introduced five fund balance classifications and clarified the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned, and unassigned. **Auditor of State Bulletin 2011-004** included additional guidance related to GASB 54 as follows:

- The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The Library's Building Fund met the definition of a committed fund; however, the fund balance of \$117,571 and \$117,957 at December 31, 2015 and 2014, respectively, was incorrectly classified as restricted fund balance.
- When the appropriation measure is adopted for the subsequent year, if appropriations exceed estimated receipts, the excess is to be assigned as it uses existing fund balance at year-end. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance. The Library's subsequent year general fund appropriations exceeded estimated receipts by \$226,809 and \$201,299 for 2015 and 2014, respectively. These amounts should have been classified as assigned fund balance rather than unassigned fund balance.
- Encumbered amounts will be included in the restricted, committed, and assigned fund balance classifications. Issuing a purchase order assigns the amount of the purchase order to a specific purpose; thus, the outstanding encumbrance amount is included in assigned fund balance, unless the purchase order relates to restricted or committed resources. The Library had outstanding encumbrances in the general fund of \$8,857 and \$7,071 at December 31, 2015 and 2014, respectively. These amounts should have been classified as assigned fund balance, but were included in the unassigned fund balance.

All of the above errors were corrected in the accompanying financial statements.

Failure to classify fund balances in accordance with GASB 54 and Auditor of State Bulletin 2011-004 could lead to fund balance errors, misstated financial statements, and misleading financial statement information.

The Library should implement procedures to review GASB 54 requirements, including Auditor of State Bulletin 2011-004, and apply these requirements to all financial statements and footnote disclosures.

**Officials' Response:** We did not receive a response from Officials to this finding.

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# Dave Yost • Auditor of State

PIQUA PUBLIC LIBRARY

MIAMI 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  
SEPTEMBER 8, 2016