

**ROCKY RIVER PUBLIC LIBRARY
CUYAHOGA COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

FOR THE YEAR ENDED
DECEMBER 31, 2015

STEPHEN LATZA, FISCAL OFFICER



Dave Yost • Auditor of State

Board of Trustees
Rocky River Public Library
1600 Hampton Road
Rocky River, Ohio 44116

We have reviewed the *Independent Auditor's Report* of the Rocky River Public Library, Cuyahoga County, prepared by Julian & Grube, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them

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

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

Dave Yost
Auditor of State

June 6, 2017

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**ROCKY RIVER PUBLIC LIBRARY
CUYAHOGA COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Cash Basis	11
Statement of Activities - Cash Basis	12
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis - Governmental Funds	13
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis - Governmental Funds	14
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund	15
Notes to the Basic Financial Statements.....	17 - 31
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	32 - 33



Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Rocky River Public Library
Cuyahoga County
1600 Hampton Road
Rocky River, Ohio 44116

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Rocky River Public Library, Cuyahoga County, Ohio, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Rocky River Public 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.C. 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 Rocky River Public 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 Rocky River Public 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, its major fund, and the aggregate remaining fund information of the Rocky River Public Library, Cuyahoga County, Ohio, as of December 31, 2015, 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.C.

Accounting Basis

We draw attention to Note 2.C. 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 Matters

Other Information

We audited to opine on the Rocky River Public Library's financial statements that collectively comprise its basic financial statements.

We applied no procedures to the Management's Discussion & Analysis presented on pages 3 - 9 of the report, and accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017, on our consideration of the Rocky River Public 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 Rocky River Public Library's internal control over financial reporting and compliance.



Julian & Grube, Inc.
March 27, 2017

Rocky River Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2015

This discussion and analysis of the Rocky River Public Library's ("the Library") financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2015, within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2015 are as follows:

Net Position of governmental activities increased \$264,733 or 4.6%.

The Library's general receipts are primarily property taxes and grants and entitlements not restricted to specific programs. These receipts represent 97.1% of the total cash received during the year. Total receipts for 2015 decreased by \$12,077 or 0.3%, compared to 2014 due to increased collections of property taxes.

Using the Basic Financial Statements

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

Report Components

The Statement of Net Position and the Statement of Activities provide information about the cash activities of the Library as a whole.

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

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

Basis of Accounting

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

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

Rocky River Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2015

Reporting the Library as a Whole

The Statement of Net Position and the Statement of Activities reflect how the Library did financially during 2015, within the limitations of cash basis accounting. The Statement of Net Position presents the cash balances of the governmental activities of the Library at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental activity. Program receipts include patron fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well, such as the Library's property tax base, the condition of the Library's capital assets, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes and the Public Library Fund (PLF).

In the Statement of Net Position and the Statement of Activities the Library reports governmental activities. All of the Library's programs and services are reported here, including general public services, purchased and contracted services, and library materials and information. These services are primarily funded by property taxes and the PLF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

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

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

Rocky River Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2015

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2015 and 2014 on a cash basis.

Table 1 - Net Position

	Governmental Activities	
	2015	2014
ASSETS		
Equity in Pooled Cash and Cash Equivalents	\$ 6,018,798	\$ 5,754,065
NET POSITION		
Restricted for:		
Other Purposes	3,872	3,847
Unrestricted	<u>6,014,926</u>	<u>5,750,218</u>
Total Net Position	<u>\$ 6,018,798</u>	<u>\$ 5,754,065</u>

Rocky River Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2015

Table 2 reflects the changes in the Library's net position in for 2015 and 2014 on a cash basis.

Table 2 - Change in Net Position

	Governmental Activities	
	2015	2014
<u>Receipts</u>		
<u>Program Receipts</u>		
Charges for Services	\$ 72,951	\$ 70,945
Operating Grants and Contributions	19,699	68,666
Capital Grants and Contributions	1,935	5,248
Total Program Receipts	94,585	144,859
<u>General Receipts</u>		
Property Taxes levied for General Purposes	3,203,470	3,198,657
Unrestricted Gifts and Contributions	10,244	1,322
Grants and Entitlements not Restricted to Specific Programs	1,101,842	1,052,762
Earnings on Investments	14,401	10,902
Miscellaneous	8,151	36,268
Total General Receipts	4,338,108	4,299,911
Total Receipts	4,432,693	4,444,770
<u>Disbursements</u>		
Library Services:		
Public Services and Programs	1,889,625	1,908,732
Collection Development and Processing	1,158,971	1,170,437
Supporting Services:		
Facilities Operation and Maintenance	420,222	449,067
Information Services	169,747	177,971
Business Administration	332,309	401,264
Capital Outlay	197,086	233,867
Debt Service:		
Principal Retirement	0	230,000
Interest and Finance Charges	0	11,500
Total Disbursements	4,167,960	4,582,838
Change in Net Position	264,733	(138,068)
Net Position at January 1	5,754,065	5,892,133
Net Position at December 31	\$ 6,018,798	\$ 5,754,065

Rocky River Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2015

Property taxes levied for general purposes and grants and entitlements not restricted to specific program receipts in 2015 and 2014 are 97.1% and 95.6%, respectively, of total receipts. Earnings on investments have become a smaller portion of total receipts as investment rates have remained low during 2015 and 2014. Earnings on Investments during 2015 and 2014 were 0.32% and 0.25%, respectively, of total receipts.

Disbursements for Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Services and Business Administration represent the costs of running the Library.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for governmental activities are Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Services, Business Administration, and Capital Outlay. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by those who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The Net Receipts (Disbursements) column compares the program receipts to the cost of the service. This net cost amount represents the cost of the service which ends up being paid from money provided by the State of Ohio and local taxpayers. These net costs are paid from the General Receipts which are presented at the bottom of the Statement.

A comparison between the total cost of services and the net cost is presented in Table 3 below.

Table 3 - Comparison of Total Cost and Net Cost of Services

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Library Services:				
Public Services and Programs	\$ 1,889,625	\$ 1,908,732	\$ 1,799,486	\$ 1,820,963
Collection Development and Processing	1,158,971	1,170,437	1,158,971	1,122,437
Supporting Services:				
Facilities Operation and Maintenance	420,222	449,067	420,222	449,067
Information Services	169,747	177,971	167,211	174,079
Business Administration	332,309	401,264	330,399	396,066
Capital Outlay	197,086	233,867	197,086	233,867
Debt Service:				
Principal Retirement	0	230,000	0	230,000
Interest and Finance Charges	0	11,500	0	11,500
Total Governmental Activities	\$4,167,960	\$4,582,838	\$4,073,375	\$4,437,979

Rocky River Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2015

The Library's Funds

Total governmental funds had receipts in 2015 and 2014 of \$4,432,693 and \$4,444,770, respectively, and disbursements of \$4,167,960 and \$4,582,838, respectively.

General Fund Budgeting Highlights

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

During fiscal years 2015, the Library's General Fund budget was stable. Final disbursements and transfers for 2015 were budgeted at \$4,520,505, while actual disbursements and transfers were \$4,223,865, on a budget basis. The variance between budgeted disbursements and actual disbursements is due in large part to the Library's continued commitment to provide superior service while still controlling costs.

Debt Administration

At December 31, 2015, the Library had no outstanding debt obligations.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. The Library relies heavily on local taxes and PLF funding. The Library's levy request passed in 2003 was premised on the need to renovate the Library, increase services for children and to increase computer training and access for our patrons. These forecasts were done with an expectation that there would be, at best, no material growth in the PLF from the State of Ohio. The Board of Trustees and Administration conservatively forecasted the Library's needs for coming years and developed a plan that would allow the Library to complete its renovation plans and maintain the funding needed for operations in subsequent years. The PLF receipts increased slightly in 2015 from 2014. This recent increase was attributed to increased general revenue collections of the State which is the factor used to determine the amount of funds available for the Public Library. The current amount is set at 1.70% of the State's general revenue fund tax collections. The value of real estate in Cuyahoga County and other areas has been impacted by numerous foreclosures and reappraisals in recent years. It is not known if these changes will translate into lower property tax collections in future years.

A prominent area of concern continues to be the containment of health care costs. The Library has worked hard to control increases in this area by working with a Broker and seeking competitive proposals. This has allowed the Library to maintain high levels of coverage for employees at the lowest cost possible.

Rocky River Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2015

The Library continues to review its role as a conduit linking community needs with library resources to ensure the fulfillment of educational, informational and recreational goals of the community. Additional services have been added to meet these goals, such as passport processing, notary services and additional programs within the adult, children and computer training departments. The Library has begun the process of joining the Clevnet library cooperation, which is a consortium of over 40 library systems in 12 counties with over 12 million items available. This consortium will allow the Library to increase the amount of materials available to our residents while enabling us to allocate the savings over our current consortium to other services. The Library proudly maintains the historical beauty of the building, while continuing to improve access and functions by undertaking improvement projects such as restoration of the building's roof, redesigned computer center and improvements to the building's restrooms.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Stephen Latza, Fiscal Officer, Rocky River Public Library, 1600 Hampton Road, Rocky River, Ohio 44116 or email at s.latza@rrpl.org.

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Rocky River Public Library
Cuyahoga County
Statement of Net Position – Cash Basis
December 31, 2015

	<u>Governmental Activities</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 6,018,798</u>
Total Assets	<u>\$ 6,018,798</u>
NET POSITION	
Restricted for:	
Other Purposes	\$ 3,872
Unrestricted	<u>6,014,926</u>
Total Net Position	<u>\$ 6,018,798</u>

See accompanying notes to the basic financial statements.

Rocky River Public Library
Cuyahoga County
Statement of Activities – Cash Basis
For the Year Ended December 31, 2015

		Program Cash Receipts			Net (Disbursements)
	Cash	Charges for	Operating	Capital	Receipts and
	Disbursements	Services	Grants and	Grants and	Changes in Net
			Contributions	Contributions	Governmental
					Activities
Primary Government:					
Governmental Activities					
Library Services:					
Public Services and Programs	\$ 1,889,625	\$ 72,951	\$ 17,163	\$ 25	\$ (1,799,486)
Collection Development and Processing	1,158,971	0	0	0	(1,158,971)
Supporting Services:					
Facilities Operations and Maintenance	420,222	0	0	0	(420,222)
Information Services	169,747	0	2,536	0	(167,211)
Business Administration	332,309	0	0	1,910	(330,399)
Capital Outlay	197,086	0	0	0	(197,086)
Total Governmental Activities	\$ 4,167,960	\$ 72,951	\$ 19,699	\$ 1,935	(4,073,375)
General Receipts					
Property Taxes levied for General Purposes					3,203,470
Unrestricted Gifts and Contributions					10,244
Grants & Entitlements not Restricted to Specific Programs					1,101,842
Earnings on Investments					14,401
Miscellaneous					8,151
Total General Receipts					4,338,108
Change in Net Position					264,733
Net Position - Beginning of Year					5,754,065
Net Position - End of Year					\$ 6,018,798

See accompanying notes to the basic financial statements.

Rocky River Public Library
Cuyahoga County
Statement of Assets and Fund Balances – Cash Basis
Governmental Funds
December 31, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 5,475,268	\$ 543,530	\$ 6,018,798
Total Assets	\$ 5,475,268	\$ 543,530	\$ 6,018,798
Fund Balances			
<i>Restricted for</i>			
Search Ohio Project	\$ 0	\$ 312	\$ 312
Cowan Pottery Purchases	0	3,560	3,560
<i>Total Restricted</i>	0	3,872	3,872
<i>Committed to</i>			
Capital Projects	0	137,869	137,869
Permanent Fund Purposes	0	401,789	401,789
<i>Total Committed</i>	0	539,658	539,658
<i>Assigned to</i>			
Purchases on Order	115,831	0	115,831
Subsequent Year Appropriation	60,494	0	60,494
<i>Total Assigned</i>	176,325	0	176,325
<i>Unassigned</i>	5,298,943	0	5,298,943
Total Fund Balances	\$ 5,475,268	\$ 543,530	\$ 6,018,798

See accompanying notes to the basic financial statements.

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

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Receipts</u>			
Property & Other Local Taxes	\$ 3,203,470	\$ 0	\$ 3,203,470
Public Library Fund	661,698	0	661,698
Intergovernmental	442,680	0	442,680
Patron Fines and Fees	72,951	0	72,951
Contributions, Gifts and Donations	27,407	1,935	29,342
Earnings on Investments	13,452	949	14,401
Miscellaneous	8,151	0	8,151
Total Receipts	4,429,809	2,884	4,432,693
<u>Disbursements</u>			
Current:			
Library Services:			
Public Services and Programs	1,886,010	3,615	1,889,625
Collection Development and Processing	1,158,971	0	1,158,971
Supporting Services:			
Facilities Operation and Maintenance	415,997	4,225	420,222
Information Services	169,747	0	169,747
Business Administration	332,309	0	332,309
Capital Outlay	0	197,086	197,086
Total Disbursements	3,963,034	204,926	4,167,960
Excess of Receipts			
Over(Under) Disbursements	466,775	(202,042)	264,733
<u>Other Financing Sources (Uses)</u>			
Transfer In	0	145,000	145,000
(Transfer Out)	(145,000)	0	(145,000)
Total Other Financing Sources (Uses)	(145,000)	145,000	0
Net Change in Fund Balance	321,775	(57,042)	264,733
Beginning Fund Balance	5,153,493	600,572	5,754,065
Ending Fund Balance	\$ 5,475,268	\$ 543,530	\$ 6,018,798

See accompanying notes to the basic financial statements.

**Rocky River Public Library
Cuyahoga County**

*Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis
General Fund
For the Year Ended December 31, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts</u>				
Property & Other Local Taxes	\$ 3,190,000	\$ 3,203,470	\$ 3,203,470	\$ 0
Public Library Fund	604,321	661,698	661,698	0
Intergovernmental	443,500	442,680	442,680	0
Patron Fines and Fees	75,500	72,951	72,951	0
Contributions, Gifts and Donations	16,985	27,407	27,407	0
Earnings on Investments	25,750	13,452	13,452	0
Miscellaneous	1,500	8,150	8,151	1
Total Receipts	4,357,556	4,429,808	4,429,809	1
<u>Disbursements</u>				
Current:				
Library Services:				
Public Services and Programs	2,000,159	2,001,109	1,901,440	99,669
Collection Development and Processing	1,287,689	1,286,639	1,236,910	49,729
Supporting Services:				
Facilities Operation and Maintenance	456,720	457,420	451,485	5,935
Information Services	178,119	177,819	171,612	6,207
Business Administration	452,818	452,518	317,418	135,100
Total Disbursements	4,375,505	4,375,505	4,078,865	296,640
Excess of Receipts Over(Under) Disbursements	(17,949)	54,303	350,944	296,641
<u>Other Financing Sources (Uses)</u>				
(Transfer Out)	(145,000)	(145,000)	(145,000)	0
Net Change in Fund Balance	(162,949)	(90,697)	205,944	296,641
Fund Balance - Beginning of Year	5,068,153	5,068,153	5,068,153	0
Prior Year Encumbrances Appropriated	85,340	85,340	85,340	0
Fund Balance - End of Year	\$ 4,990,544	\$ 5,062,796	\$ 5,359,437	\$ 296,641

See accompanying notes to the basic financial statements.

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Rocky River Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 1 – Description of The Library and Reporting Entity

The Rocky River Public Library, Cuyahoga County, (“the Library”) was organized as a school district public library in 1928 under the laws of the State of Ohio. The Library has its own Board of Trustees (“Board of Trustees”) of seven members who are appointed by the Rocky River City School District Board of Education (“Board of Education”). 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 (“ORC”) 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.

The Library is fiscally independent of the Rocky River City School District (“School District”) Board of Education although the School District 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 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 School District.

Under the provisions of Statement No. 61 of the Governmental Accounting Standards Board, “The Financial Reporting Entity”, the Library is considered to be a related organization of the 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. 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 does not have any component units.

The Friends of the Rocky River Public Library and the Women’s Committee of the Rocky River Public Library are not-for-profit organizations with self-appointing boards. The Rocky River Public Library Foundation is a not-for-profit organization, which has fifteen members, of which, two are appointed by the Board of Trustees. The Library is not financially accountable for these organizations, nor does the Library approve the budgets or the issuance of debt for these organizations. Therefore, these organizations have been excluded from the reporting entity of the Library.

Separately maintained statements of The Friends of the Rocky River Public Library are available from:

Treasurer, The Friends of the Rocky River Public Library
Rocky River Public Library
1600 Hampton Road
Rocky River, Ohio 44116

Rocky River Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Separately maintained statements of the Women’s Committee of the Rocky River Public Library are available from:

Treasurer, Women’s Committee of the Rocky River Public Library
Rocky River Public Library
1600 Hampton Road
Rocky River, Ohio 44116

Separately maintained statements of the Rocky River Public Library Foundation are available from:

Treasurer, Rocky River Public Library Foundation
Rocky River Public Library
1600 Hampton Road
Rocky River, Ohio 44116

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. Generally Accepted Accounting Principles (“GAAP”) 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.

Government-wide Financial Statements

The Statements of Net Position and the Statements of Activities display information about the Library as a whole. These statements include the financial activities of the Library. Governmental activities are generally financed through taxes, intergovernmental receipts and other nonexchange transactions.

The Statements of Net Position present the cash balances of the governmental activities of the Library at each year-end. The Statements 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 programs 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. 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.

Rocky River Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 in each year is presented in a separate column. Non-major 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, 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 is the Library's major governmental fund:

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.

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

C. Basis of Accounting

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

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

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund 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 Trustees.

Rocky River Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 Board of 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 Board of Trustees during the year.

E. Cash and Cash Equivalents

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

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 STAR Ohio, Certificates of Deposit, and Federal Treasury Money Market

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State of Ohio 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 \$13,452, which includes \$351, assigned from other Library funds.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library did not have any net cash assets restricted by enabling legislation at December 31, 2015.

Rocky River Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

G. 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.

H. 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.

I. 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.

Rocky River Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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.

J. 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.

K. 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.

L. 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.

M. Long-Term Obligations

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

N. 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 are available.

Rocky River Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

O. Estimates

The cash basis of accounting used by the Library requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as expenditures by program type which cannot be specifically designated to a single program); accordingly, actual results could differ from those estimates.

Note 3 – Change in Accounting Principle

For the year 2015, the Library has implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the Library's pension plan disclosures.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – 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 that are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding for the General Fund at December 31, 2015 amounted to \$115,831.

Note 5 – Deposits and Investments

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

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

Rocky River Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) 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.

Rocky River Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At December 31, 2015, the Library had \$1,098, in undeposited cash on hand for change and petty cash purposes which is included as part of “Equity in Pooled Cash and Cash Equivalents” on the financial statements.

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, \$307,799 of the Library’s bank balance of \$2,984,783 was exposed to custodial credit risk because those deposits were uninsured and collateralized.

The Library has no deposit policy for custodial risk beyond the requirements of State statute contained in ORC Section 135. 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 fair value at all times shall be at least 105% of the deposits being secured.

Investments

<u>Investment Type</u>	<u>Cost</u>	<u>Investment Maturities</u>	
		<u>(in Years)</u>	
		<u><1</u>	<u>1-2</u>
STAR Ohio	\$ 72,280	\$ 72,280	\$ -
Federal Treasury Money Market	8,731	8,731	-
Negotiable CDs	3,000,000	2,000,000	1,000,000
Total Investments	3,081,011	<u>\$ 2,081,011</u>	<u>\$ 1,000,000</u>
Carrying Amount of Deposits	2,936,689		
Petty Cash	<u>1,098</u>		
Total	<u>\$ 6,018,798</u>		

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

Rocky River Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The Library's investment policy does not deal with investment credit risk beyond the requirements in State statute contained in ORC Section 135. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio and Federal Treasury Money Market both carry a rating of AAAM by Standard and Poor's.

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

Note 6 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Library. 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.

Tangible Personal Property Taxes have been phased out and the last year for collection was 2008. The rate was reduced to zero in 2009.

Rocky River Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The full tax rate for all Library operations for the years-ended December 31, 2015, was \$6.10 (6.1 mills) per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2015 property tax receipts were based are as follows:

Real Property	<u>2015</u>
Residential/Agricultural	\$639,847,330
Other Real Estate	122,163,160
Public Utility	9,249,080
Total Assessed Value	<u>\$771,259,570</u>

Cuyahoga County collects property taxes on behalf of all taxing districts in the county, including the Library. The county fiscal officer periodically remits to the Library the portion of the taxes collected.

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:

Insurance Coverage at December 31, 2015

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Cincinnati Insurance Company	Commercial Property	\$11,963,597
	Building Contents	\$6,729,435
	Scheduled Fine Arts	\$1,796,090
	General Liability	\$1,000,000 per occurrence/ \$2,000,000 aggregate
	Vehicle	\$1,000,000
	Flood	\$1,000,000
Cincinnati Insurance Company	Commercial Umbrella	\$5,000,000
Federal Insurance Co.	Errors and Omissions	\$1,000,000 per occurrence/ \$3,000,000 aggregate
Cincinnati Insurance Company	Commercial Crime	
	Employee Theft	\$125,000
	Forgery or Alteration	\$50,000
	Computer Fraud	\$100,000
Ohio Casualty Insurance Co.	Surety Bonds	\$75,000

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

Rocky River Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The Library pays the State of Ohio 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 – Library employees, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Library employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Rocky River Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Library's contractually required contribution was \$274,881 for year 2015.

Note 9 - Postemployment Benefits

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional 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.

Rocky River Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, 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 the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015, state and local employers contributed 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll for state and local employer units. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2015, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2015 was 4.5 percent.

Rocky River Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Substantially all of the Library's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2015, 2014, and 2013 were \$45,814, \$46,319 and \$23,067, respectively; 100% has been contributed for 2015, 2014, and 2013.

Note 10 – Interfund Transfers

The General Fund transferred \$145,000 to the Capital Projects Fund in 2015. Transfers were made to set aside funds for routine capital improvements to the Library and for various technological improvements and acquisitions.

Note 11 – Related Organizations

The Library does not have any related organizations for which it is accountable.

The Library has the following affiliate organizations for which it is not accountable; Friends of the Rocky River Public Library, Women's Committee of the Rocky River Public Library and the Rocky River Public Library Foundation which are discussed in Note 1 above.



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Rocky River Public Library
Cuyahoga County
1600 Hampton Road
Rocky River, Ohio 44116

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, its major fund, and the aggregate remaining fund information of the Rocky River Public Library as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Rocky River Public Library's basic financial statements and have issued our report thereon dated March 27, 2017, wherein we noted the Rocky River Public 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 Rocky River Public 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 Rocky River Public 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 Rocky River Public 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.

Board of Trustees
Rocky River Public Library

Compliance and Other Matters

As part of reasonably assuring whether the Rocky River Public 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 Rocky River Public Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Rocky River Public Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
March 27, 2017



Dave Yost • Auditor of State

ROCKY RIVER PUBLIC LIBRARY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 20, 2017