



Dave Yost • Auditor of State

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

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CHILLICOTHE AND ROSS COUNTY PUBLIC LIBRARY
ROSS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board:

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chillicothe and Ross County Public Library, Ross County, Ohio (the Library), as of and for the years ended December 31, 2017 and 2016, 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 modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified 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 such 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 modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Chillicothe and Ross County Public Library, Ross County, Ohio, as of December 31, 2017 and 2016, and the respective changes in modified 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 modified 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 applied no procedures to management's discussion & analysis as listed in the table of contents. 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 April 30, 2018, 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

April 30, 2018

Chillicothe & Ross County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

This discussion and analysis of the Chillicothe & Ross County Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2017, within the limitations of the library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2017 are as follows:

Net position of governmental activities increased \$571,817 or 20.4% from the prior year.

The Library's general receipts are composed primarily of receipts from the Public Library Fund and levy proceeds from property taxes. These funds represent 53.01% and 43.15% respectively of the total cash received for governmental activities during the year. Public Library Fund receipts for 2017 were \$9,042 more than what was received in 2016. As of July 1, 2017, the legislature returned the Public Library Fund to its statutory amount of 1.66% of General Revenue Fund receipts, from the previous 1.7% it had been receiving.

In November of 2015, Ross County voters approved a 1.5 mill, 5-year levy for the library. This resulted in proceeds of \$1,896,265 for 2017.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

Chillicothe & Ross County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

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

Reporting the Library as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2017, within the limitations of modified cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

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

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

Reporting the Library's Most Significant Funds

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

Governmental Funds – The Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for 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. The Library's major governmental funds are the General Fund and the Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Chillicothe & Ross County Public Library
 Management's Discussion and Analysis
 For the Year Ended December 31, 2017
 Unaudited

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2017 compared to 2016 on a modified cash basis:

(Table 1)
Net Position

	Governmental Activities	
	2017	2016
Assets		
Cash and Cash Equivalents	\$ 3,348,576.00	\$ 2,776,759.00
Investments	\$ 20,500.00	\$ 20,500.00
Total Assets	\$ 3,369,076.00	\$ 2,797,259.00
Net Assets		
Restricted for:		
Capital Projects	\$ 1,994,248.00	\$ 1,751,424.00
Other Purposes	\$ 21,719.00	\$ 20,718.00
Unrestricted	\$ 1,353,109.00	\$ 1,025,117.00
Total Net Assets	\$ 3,369,076.00	\$ 2,797,259.00

As mentioned previously, net position of governmental activities increased \$571,817 or 20.4% during 2017.

Table 2 reflects the changes in net position in 2017 as compared to 2016.

Chillicothe & Ross County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

(Table 2)
Changes in Net Position

	<u>Governmental Activities 2017</u>	<u>Governmental Activities 2016</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	32,956.00	46,086.00
Operating Grants and Contributions	7,285.00	3,585.00
Total Program Receipts	<u>40,241.00</u>	<u>49,671.00</u>
General Receipts:		
Unrestricted Gifts	180.00	-
Library & Local Govt. Support, Not Restr. to Specific Programs	2,321,051.00	2,313,726.00
Property Taxes	1,832,130.00	1,767,657.00
Sale of Capital Assets	200.00	-
Interest	36,712.00	12,855.00
Miscellaneous	56,082.00	21,174.00
Total General Receipts	<u>4,246,355.00</u>	<u>4,115,412.00</u>
Total Receipts	<u>4,286,596.00</u>	<u>4,165,083.00</u>
Disbursements:		
Library Services	3,319,483.00	3,053,181.00
Capital Outlay	395,296.00	174,585.00
Total Disbursements	<u>3,714,779.00</u>	<u>3,227,766.00</u>
Excess (Deficiency) Before Transfers	571,817.00	937,317.00
Increase (Decrease) in Net Assets	571,817.00	937,317.00
Net Assets, January 1, 2017/2016	<u>2,797,259.00</u>	<u>1,859,942.00</u>
Net Assets, December 31, 2017/2016	<u>3,369,076.00</u>	<u>2,797,259.00</u>

Program receipts represent only .94% of total receipts and are primarily comprised of patron fines and late fees, charges for copies and prints, sale of supplies and restricted contributions for specific library programs such as our annual summer reading program.

General receipts represent 99.06% of the Library's total receipts, and of this amount, over 54.66% are from the Public Library Fund and 43.15% are from levy proceeds. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Chillicothe & Ross County Public Library
 Management's Discussion and Analysis
 For the Year Ended December 31, 2017
 Unaudited

Governmental Activities

If you look at the Statement of Activities report, 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 program disbursement for governmental activities is Library Services, which accounts for 89.36% of all governmental disbursements while Capital Outlay accounts for 10.64% of all governmental disbursements. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2017	Net Cost of Services 2017
Library Services	\$3,319,483.00	(\$3,279,242.00)
Capital Outlay	\$395,296.00	(\$395,296.00)
 Total Expenses	 \$3,714,779.00	 (\$3,674,538.00)

The Library's Funds

Total library funds had receipts of \$4,286,396 and disbursements of \$3,714,779.

General Fund receipts were greater than disbursements by \$827,792.

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 2017, the Library amended its General Fund budget to reflect changing circumstances. Final budgeted receipts only slightly exceeded original budgeted receipts. The difference between final budgeted receipts and actual receipts was not significant.

Chillicothe & Ross County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

Final disbursements were budgeted at \$3,954,267 while actual disbursements were \$3,552,953. The library kept spending below budgeted amounts as demonstrated by the reported variances. Due to reduction in spending, we were able to transfer \$500,000 to the building fund at the end of the year for future building projects and maintenance.

Capital Assets and Debt Administration

Capital Assets

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

Debt

The Library has no outstanding debt.

Current Issues

With the passage of a 1.5 mill, 5 year operating levy in November 2015, the library has taken steps to secure its financial future during times of stagnant funding for the Public Library Fund.

Contacting the Library's Financial Management

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

Chillicothe and Ross County Public Library

Statement of Net Position - Modified Cash Basis

December 31, 2017

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,348,576
Investments	<u>20,500</u>
<i>Total Assets</i>	<u><u>\$3,369,076</u></u>
Net Position	
Restricted for:	
Capital Projects	\$1,994,248
Permanent Fund Purpose:	
Expendable	1,219
Nonexpendable	20,500
Unrestricted	<u>1,353,109</u>
<i>Total Net Position</i>	<u><u>\$3,369,076</u></u>

See accompanying notes to the basic financial statements

Chillicothe and Ross County Public Library
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2017

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Library Services:	\$3,319,483	\$32,956	\$7,285	(\$3,279,242)
Capital Outlay	395,296	0	0	(395,296)
<i>Total Governmental Activities</i>	<u>3,714,779</u>	<u>32,956</u>	<u>7,285</u>	<u>(3,674,538)</u>
<i>Total Primary Government</i>	<u>\$3,714,779</u>	<u>\$32,956</u>	<u>\$7,285</u>	<u>(3,674,538)</u>
		General Receipts:		
				1,832,130
				180
				2,321,051
				200
				36,712
				<u>56,082</u>
		<i>Total General Receipts, Contributions to Permanent Fund, Special Item, Extraordinary Item, Transfers and Advances</i>		
				<u>4,246,355</u>
		Change in Net Position		
				571,817
		<i>Net Position Beginning of Year</i>		
				<u>2,797,259</u>
		<i>Net Position End of Year</i>		
				<u>\$3,369,076</u>

See accompanying notes to the basic financial statements

Chillicothe and Ross County Public Library
Statement of Assets and Fund Balances- Modified Cash Basis
Governmental Funds
December 31, 2017

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,353,109	\$1,994,248	\$1,219	\$3,348,576
Investments	0	0	20,500	\$20,500
<i>Total Assets</i>	<u>\$1,353,109</u>	<u>\$1,994,248</u>	<u>\$21,719</u>	<u>\$3,369,076</u>
Fund Balances				
Nonspendable	-	-	20,500	20,500
Restricted	-	-	1,219	1,219
Committed	11,800	557	-	12,357
Assigned	88,001	1,993,691	-	2,081,692
Unassigned (Deficit)	1,253,308	-	-	1,253,308
<i>Total Fund Balances</i>	<u>\$1,353,109</u>	<u>\$1,994,248</u>	<u>\$21,719</u>	<u>\$3,369,076</u>

See accompanying notes to the basic financial statements

Chillicothe and Ross County Public Library
Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2017

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$1,832,130			\$1,832,130
Public Library	2,251,094			2,251,094
Intergovernmental	69,957			69,957
Patron Fines and Fees	31,565			31,565
Contributions, Gifts and Donations	7,465			7,465
Earnings on Investments	31,260		5,452	36,712
Miscellaneous	57,473			57,473
<i>Total Receipts</i>	<u>4,280,944</u>	<u>0</u>	<u>5,452</u>	<u>4,286,396</u>
Disbursements				
Current:				
Library Services:	3,315,032	0	4,451	3,319,483
Support Services:				
Capital Outlay	138,120	257,176	0	395,296
<i>Total Disbursements</i>	<u>3,453,152</u>	<u>257,176</u>	<u>4,451</u>	<u>3,714,779</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>827,792</u>	<u>(257,176)</u>	<u>1,001</u>	<u>571,617</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	200	0	0	200
Transfers In	0	500,000	0	500,000
Transfers Out	(500,000)	0	0	(500,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(499,800)</u>	<u>500,000</u>	<u>0</u>	<u>200</u>
<i>Net Change in Fund Balances</i>	327,992	242,824	1,001	571,817
<i>Fund Balances Beginning of Year</i>	<u>1,025,117</u>	<u>1,751,424</u>	<u>20,718</u>	<u>2,797,259</u>
<i>Fund Balances End of Year</i>	<u>\$1,353,109</u>	<u>\$1,994,248</u>	<u>\$21,719</u>	<u>\$3,369,076</u>

See accompanying notes to the basic financial statements

Chillicothe and Ross County Public Library
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$1,795,355	\$1,832,129	\$1,832,130	\$1
Public Library	2,356,590	2,246,716	2,251,094	4,378
Intergovernmental	68,000	69,957	69,957	0
Patron Fines and Fees	26,000	28,175	31,565	3,390
Contributions, Gifts and Donations	3,500	4,465	7,465	3,000
Earnings on Investments	9,000	30,000	31,260	1,260
Miscellaneous	35,070	57,306	57,473	167
<i>Total Receipts</i>	<u>4,293,515</u>	<u>4,268,748</u>	<u>4,280,944</u>	<u>12,196</u>
Disbursements				
Current:				
Library Services:	3,765,291	3,779,541	3,397,086	382,455
Capital Outlay	174,726	174,726	155,867	18,859
<i>Total Disbursements</i>	<u>3,940,017</u>	<u>3,954,267</u>	<u>3,552,953</u>	<u>401,314</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>353,498</u>	<u>314,481</u>	<u>727,991</u>	<u>413,510</u>
Other Financing Sources (Uses)				
Sale of Capital Assets		200	200	0
Transfers Out	(1,219,229)	(1,219,229)	(500,000)	719,229
Other Financing Uses	(151,200)	(112,383)		112,383
<i>Total Other Financing Sources (Uses)</i>	<u>(1,370,429)</u>	<u>(1,331,412)</u>	<u>(499,800)</u>	<u>831,612</u>
<i>Net Change in Fund Balance</i>	(1,016,931)	(1,016,931)	228,191	1,245,122
<i>Unencumbered Fund Balance Beginning of Year</i>	892,469	892,469	892,469	0
Prior Year Encumbrances Appropriated	132,648	132,648	132,648	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$8,186</u>	<u>\$8,186</u>	<u>\$1,253,308</u>	<u>\$1,245,122</u>

See accompanying notes to the basic financial statements

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Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Note 1 – Description of the Library and Reporting Entity

The Chillicothe & Ross County Public Library was organized under the laws of the State of Ohio. The Library has its own Board of Trustees made up of seven members, four who are appointed by the Ross County Commissioners and three whom are appointed by the Ross County Common Pleas Judge. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.41 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being that of the Fiscal Officer. The Board of Library Trustees appoints a Director, Fiscal Officer and Deputy Fiscal Officer.

The Library is fiscally independent although the Ross County Commissioners serve as the taxing authority for the Library. The determination to request approval of a tax levy or bond issue and the role and purpose(s) of them, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Ross County Commissioners must put the tax levy or bond issue on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Ross County Commissioners. Under the provisions of Governmental Accounting Standards Board Statement No. 61, “The Financial Reporting Entity: Omnibus”, the Library is considered a related organization to Ross County.

Component Unit

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 has no component units.

Related Organizations

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

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

Note 2 - Summary of Significant Accounting Policies

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

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Basis of Presentation

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Library as a whole. These distinguish between those activities of the Library that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The library has no business-type activities.

The statement of net position presents the cash and investment balances of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or activity is self-financing on a modified cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

General Fund - The general fund accounts and reports 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 the Building Fund and grants and other resources whose use is restricted to a particular purpose.

Basis of Accounting

The Library's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and the 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.

Budgetary Process

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

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

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

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."

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2017 investments were limited to money market funds, STAR Ohio, STAR Plus, nonnegotiable certificates of deposit and shares of common stock that were left to the Library as a restricted donation. Except for the money market funds, STAR Ohio and STAR Plus these investments are recorded at cost.

The Library's money market fund investment is recorded at amounts reported by Huntington National Bank as of December 31, 2017.

STAR Ohio and STAR Plus are investment pools managed by the State Treasurer's Office which allows

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio and STAR Plus are valued at their share price, which is the price the investment could be sold for on December 31, 2017.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General fund during 2017 amounted to \$31,259.64.

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. Restricted assets represent \$2,015,967.

\$1,994,248	Capital Improvements – Building Fund
11,498	Literacy Materials – D.T. Culp Fund
<u>10,221</u>	Books – A.R. Schlegel Fund
\$2,015,967	

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.

Capital Assets

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

Interfund Receivables/Payables

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Accumulated Leave

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

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 10 and 11 the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Library's modified 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.

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

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.

At the end of 2017, \$1,219 of the library's cash balance was restricted as follows:

\$ 998 Doris T. Culp Fund – Literacy Materials
\$ 221 Anne R. Schlegel Fund – Books

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.

Fund Balances

Fund balances are 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. State Statute authorizes the Library Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (modified cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an inter-fund receivable or payable (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$99,801 for the general fund.

Note 4 – Deposits and Investments

State statute classified monies held by the Library into three categories.

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

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

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

Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

At year end, the Library had \$520.00 in (petty cash and drawer change) undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Effective 7/1/2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions have the option of participating in OPCS or collateralizing utilizing specific pledge method. The financial institution where the Library's deposits are made, The Huntington National Bank, is a participant in the Ohio Pooled Collateral System.

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Investments

The Library reports their investments at cost or net asset value per share. The fair value of these investments is not materially different from cost.

As of December 31, 2017, the Library had the following deposits & investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Huntington Bank checking/Petty cash	\$2,740	N/A
Huntington Bank Money Market	\$201,725	N/A
Safra National Bank (CD)	\$160,000	4/13/2018
Star OH	\$2,732,873	N/A
Star Plus	\$11,237	N/A
Culp Common Stock (Penn. Power & Light Co. Fair Mkt. Value 12/31/2017 - \$49,520 1600 Shares @ \$30.95)	\$10,500	N/A
Schlegel CD – Wells Fargo	\$10,000	2/16/2021
Wells Fargo CD	<u>\$240,000</u>	4/2/2018
Total Deposits & Investments	\$3,369,075	

STAR Ohio carries a rating of AAAM by Standard and Poor's. The money market funds at Huntington National Bank and LCNB National Bank are depository accounts that are collateralized. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Note 5 – Grants-In-Aid and Tax Receipts

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January – June of the subsequent year.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes are levied after October 1, 2017 on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35% of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31st; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20th. 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% of true value. 2016 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2017 and are collected in 2017 with real property taxes.

Note 6 Interfund Balances and Transfers

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.

The Library transferred \$500,000 to the Building Fund from the General Fund in 2017.

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 2016, the Library contracted with Cincinnati Insurance Company (Weisenberger Insurance Service) and The Ohio Plan (Rinehart, Walters & Danner) for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
The Ohio Plan	Blanket Building & Commercial Property	\$7,294,037
The Ohio Plan	General Liability	\$4,000,000
The Ohio Plan	Vehicle	\$2,000,000
The Ohio Plan	Inland Marine	\$370,877
The Ohio Plan	Library Officials	\$4,000,000
Cincinnati Insurance Company	Fiscal Officer/Deputy Bonds	\$25,000/ea.
The Ohio Plan	Blanket Empl. Bond	\$5,000

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

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

Note 8 - Defined Benefit Pension Plan

GASB Statement No. 27

The Library participates in the Ohio Public Employees Retirement System (OPERS) which has authority to establish and amend benefits as provided in Chapter 145 of the Ohio Revised Code.

A. OPERS administers three separate pension plans.

1. The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan - a defined contribution plan in which the member invests both member

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

and employer contributions (employer contributions vest over five years at 20% per year). Under the Member Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

3. The Combined Plan – 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.
- B. 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.
 - C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
 - D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, or by writing to OPERS, 277 E. Town Street, Columbus, OH 43125-4642, or by calling 614-222-5601 or 800-222-7377.
 - E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2016, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.
 - F. The 2017 member contribution rates were 10% of earnable salary for members in state and local classifications.
 - G. The 2017 employer contribution rate for state and local employers was 14% of earnable salary.
 - H. Total required employer contributions for calendar year 2017 salaries amounted to **\$221,874.32**.
 - I. In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaced GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014.

GASB Statement No. 45

A. 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.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans.

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Plan and Combined plans must have 20 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 Benefits (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

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 OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR> or by writing to OPERS, 277 E. Town Street, Columbus, OH 43125-4642, or by calling 614-222-5601 or 800-222-7377.

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement 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 earnable salary of active members. In 2016, state and local employers contributed at a rate of 14% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of employer contributions rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS 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 employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%

C. Employer Contributions to Fund Post-Employment Health Benefits

The total employer contribution rates stated in Section B above, are the statutorily required contribution rates for OPERS. Approximate employer contributions made to fund OPERS post-employment health benefits in calendar year 2017 were in the amount of \$31,683.65.

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

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

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.

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 E. Town Street, Columbus, OH 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 administered 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 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.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care 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.

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Note 10 – 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 and all other governmental funds are presented below:

Fund Balances	General Fund	Capital Projects Fund	Non-major Govt. Funds	Total
Non-spendable				
Culp Fund \$10,500			\$20,500	\$20,500
Schlegel Fund \$10,000				
Restricted	\$0	\$0	\$1,219	\$1,219
Culp Fund Materials \$998				
Schlegel Fund Materials \$221				
Committed				
General Fund				
*Cooper's Glass – NS Auto Openers	\$11,800	\$557	\$0	\$12,357
*IAP Govt. Services – Elevator Rehab				
Assigned				
General Fund – General Expenditures	\$88,001	\$1,993,691	\$0	\$2,081,692
Building Fund – Capital Projects				
Unassigned	\$1,253,308	N/A	N/A	\$1,253,308
Total Fund Cash Balances 12/31/2017	\$1,353,109	\$1,994,248	\$21,719	\$3,369,076

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Chillicothe & Ross County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

This discussion and analysis of the Chillicothe & Ross County Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2016, within the limitations of the library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2016 are as follows:

Net position of governmental activities increased \$937,317 or 50.4% from the prior year.

The Library's general receipts are composed primarily of receipts from the Public Library Fund and levy proceeds from property taxes. These funds represent 54.48% and 42.95% respectively of the total cash received for governmental activities during the year. Public Library Fund receipts for 2016 were \$15,335 less than what was received in 2015. The library continues to receive 1.7% of the state's total General Revenue Fund proceeds.

In November of 2015, Ross County voters approved a 1.5 mill, 5-year levy for the library. This resulted in proceeds of \$1,839,332 for 2016.

Using the Basic Financial Statements

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

Report Components

The statement of net 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 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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not

Chillicothe & Ross County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Library as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2016, within the limitations of modified cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental activity draws from the Library's general receipts.

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

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

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

Reporting the Library's Most Significant Funds

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

Governmental Funds – The Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for 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. The Library's major governmental funds are the General Fund and the Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Chillicothe & Ross County Public Library
 Management's Discussion and Analysis
 For the Year Ended December 31, 2016
 Unaudited

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2016 compared to 2015 on a modified cash basis:

(Table 1)
Net Position

	Governmental Activities	
	2016	2015
Assets		
Cash and Cash Equivalents	\$ 2,776,759.00	\$ 1,839,442.00
Investments	\$ 20,500.00	\$ 20,500.00
Total Assets	\$ 2,797,259.00	\$ 1,859,942.00
Net Assets		
Restricted for:		
Capital Projects	\$ 1,751,424.00	\$ 1,101,424.00
Other Purposes	\$ 20,718.00	\$ 20,911.00
Unrestricted	\$ 1,025,117.00	\$ 737,607.00
Total Net Assets	\$ 2,797,259.00	\$ 1,859,942.00

As mentioned previously, net position of governmental activities increased \$937,317 or 50.4% during 2016.

Table 2 reflects the changes in net position in 2016 as compared to 2015.

Chillicothe & Ross County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

(Table 2)
Change in Net Position

	Governmental Activities 2016	Governmental Activities 2015
Receipts:		
Program Receipts:		
Charges for Services and Sales	46,086.00	49,770.00
Operating Grants and Contributions	3,585.00	4,307.00
Total Program Receipts	<u>49,671.00</u>	<u>54,077.00</u>
General Receipts:		
Special Assessments		
Unrestricted Gifts	-	709.00
Library & Local Govt. Support, Not Restr. to Specific Programs	2,313,726.00	2,257,386.00
Property Taxes	1,767,657.00	1,175,430.00
Grants	-	10,000.00
Interest	12,855.00	5,992.00
Miscellaneous	21,174.00	16,966.00
Total General Receipts	<u>4,115,412.00</u>	<u>3,466,483.00</u>
Total Receipts	<u>4,165,083.00</u>	<u>3,520,560.00</u>
Disbursements:		
Library Services	3,053,181.00	3,090,668.00
Capital Outlay	174,585.00	203,690.00
Total Disbursements	<u>3,227,766.00</u>	<u>3,294,358.00</u>
Excess (Deficiency) Before Transfers	937,317.00	226,202.00
Increase (Decrease) in Net Assets	937,317.00	226,202.00
Net Assets, January 1, 2016/2015	<u>1,859,942.00</u>	<u>1,633,740.00</u>
Net Assets, December 31, 2016/2015	<u>2,797,259.00</u>	<u>1,859,942.00</u>

Program receipts represent only 1.19% of total receipts and are primarily comprised of patron fines and late fees, charges for copies and prints, sale of supplies and restricted contributions for specific library programs such as our annual summer reading program.

General receipts represent 98.81% of the Library's total receipts, and of this amount, over 55.55% are from the Public Library Fund and 42.44% are from levy proceeds. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Governmental Activities

If you look at the Statement of Activities report, 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 program disbursement for governmental activities is Library Services, which accounts for 94.59% of all governmental disbursements while Capital Outlay accounts for 5.41% of all governmental disbursements. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people

Chillicothe & Ross County Public Library
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who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2016	Net Cost of Services 2016
Library Services	\$3,053,181.00	(\$3,003,510.00)
Capital Outlay	\$174,585.00	(\$174,585.00)
Total Expenses	\$3,227,766.00	(\$3,178,095.00)

The Library's Funds

Total library funds had receipts of \$4,165,083 and disbursements of \$3,227,766.

General Fund receipts were greater than disbursements by \$937,510.

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 2016, the Library amended its General Fund budget to reflect changing circumstances. Final budgeted receipts only slightly exceeded original budgeted receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$3,776,267 while actual disbursements were \$3,357,692. The library kept spending below budgeted amounts as demonstrated by the reported variances. Due to reduction in spending, we were able to transfer \$650,000 to the building fund at the end of the year for future building projects and maintenance.

Capital Assets and Debt Administration

Capital Assets

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

Chillicothe & Ross County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Debt

The Library has no outstanding debt.

Current Issues

With the passage of a 1.5 mill, 5 year operating levy in November 2015, the library has taken steps to secure its financial future during times of stagnant funding for the Public Library Fund.

Contacting the Library's Financial Management

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

Chillicothe and Ross County Public Library

Statement of Net Position - Modified Cash Basis

December 31, 2016

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,776,759
Investments	<u>20,500</u>
<i>Total Assets</i>	<u><u>\$2,797,259</u></u>
Net Position	
Restricted for:	
Capital Projects	\$1,751,424
Permanent Fund Purpose:	
Expendable	218
Nonexpendable	20,500
Unrestricted	<u>1,025,117</u>
<i>Total Net Position</i>	<u><u>\$2,797,259</u></u>

See accompanying notes to the basic financial statements

Chillicothe and Ross County Public Library
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2016

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Library Services:	\$3,053,181	\$46,086	\$3,585	(\$3,003,510)
Support Services:				
Capital Outlay	174,585	0	0	(174,585)
<i>Total Governmental Activities</i>	<u>3,227,766</u>	<u>46,086</u>	<u>3,585</u>	<u>(3,178,095)</u>
General Receipts:				
				1,767,657
				2,313,726
				12,855
				<u>21,174</u>
				<i>Total General Receipts, Contributions to Permanent Fund, Special Item, Extraordinary Item, Transfers and Advances</i>
				<u>4,115,412</u>
				Change in Net Position 937,317
				<i>Net Position Beginning of Year</i>
				<u>1,859,942</u>
				<i>Net Position End of Year</i>
				<u><u>\$2,797,259</u></u>

See accompanying notes to the basic financial statements

Chillicothe and Ross County Public Library
Statement of Assets and Fund Balances- Modified Cash Basis
Governmental Funds
December 31, 2016

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,025,117	\$1,751,424	\$218	\$2,776,759
Investments	0	0	20,500	20,500
<i>Total Assets</i>	<u>\$1,025,117</u>	<u>\$1,751,424</u>	<u>\$20,718</u>	<u>\$2,797,259</u>
Fund Balances				
Nonspendable	\$0	\$0	\$20,500	\$20,500
Restricted	-	-	218	218
Committed	58,112	-	-	58,112
Assigned	74,536	1,751,424	-	1,825,960
Unassigned (Deficit)	892,469	-	-	892,469
<i>Total Fund Balances</i>	<u>\$1,025,117</u>	<u>\$1,751,424</u>	<u>\$20,718</u>	<u>\$2,797,259</u>

See accompanying notes to the basic financial statements

Chillicothe and Ross County Public Library
Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2016

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$1,767,657	\$0	\$0	\$1,767,657
Public Library	2,242,051	0	0	2,242,051
Intergovernmental	71,675	0	0	71,675
Patron Fines and Fees	44,661	0	0	44,661
Contributions, Gifts and Donations	3,585	0	0	3,585
Earnings on Investments	10,327	0	2,528	12,855
Miscellaneous	22,599	0	0	22,599
<i>Total Receipts</i>	<u>4,162,555</u>	<u>0</u>	<u>2,528</u>	<u>4,165,083</u>
Disbursements				
Current:				
Library Services:	3,050,460	0	2,721	3,053,181
Capital Outlay	174,585	0	0	174,585
<i>Total Disbursements</i>	<u>3,225,045</u>	<u>0</u>	<u>2,721</u>	<u>3,227,766</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>937,510</u>	<u>0</u>	<u>(193)</u>	<u>937,317</u>
Other Financing Sources (Uses)				
Transfers In		650,000		\$650,000
Transfers Out	(650,000)	0	0	(\$650,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(650,000)</u>	<u>650,000</u>	<u>0</u>	<u>\$0</u>
<i>Net Change in Fund Balances</i>	287,510	650,000	(193)	937,317
<i>Fund Balances Beginning of Year</i>	<u>737,607</u>	<u>1,101,424</u>	<u>20,911</u>	<u>1,859,942</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,025,117</u></u>	<u><u>\$1,751,424</u></u>	<u><u>\$20,718</u></u>	<u><u>\$2,797,259</u></u>

See accompanying notes to the basic financial statements

Chillicothe and Ross County Public Library
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$1,558,582	\$1,757,073	\$1,767,657	\$10,584
Public Library	2,303,143	2,252,361	2,242,051	(10,310)
Intergovernmental	265,255	71,675	71,675	0
Patron Fines and Fees	48,000	41,000	44,661	3,661
Contributions, Gifts and Donations	3,800	3,585	3,585	0
Earnings on Investments	3,000	8,502	10,327	1,825
Miscellaneous	10,720	21,796	22,599	803
<i>Total Receipts</i>	<u>4,192,500</u>	<u>4,155,992</u>	<u>4,162,555</u>	<u>6,563</u>
Disbursements				
Current:				
Library Services:	3,528,270	3,557,648	3,177,381	380,267
Capital Outlay	218,619	218,619	180,311	38,308
<i>Total Disbursements</i>	<u>3,746,889</u>	<u>3,776,267</u>	<u>3,357,692</u>	<u>418,575</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>445,611</u>	<u>379,725</u>	<u>804,863</u>	<u>425,138</u>
Other Financing Sources (Uses)				
Transfers Out	(1,010,208)	(1,010,208)	(650,000)	360,208
Other Financing Uses	(144,129)	(78,243)	0	78,243
<i>Total Other Financing Sources (Uses)</i>	<u>(1,154,337)</u>	<u>(1,088,451)</u>	<u>(650,000)</u>	<u>438,451</u>
<i>Net Change in Fund Balance</i>	(708,726)	(708,726)	154,863	863,589
<i>Unencumbered Fund Balance Beginning of Year</i>	611,797	611,797	611,797	0
Prior Year Encumbrances Appropriated	125,810	125,810	125,810	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$28,881</u>	<u>\$28,881</u>	<u>\$892,470</u>	<u>\$863,589</u>

See accompanying notes to the basic financial statements

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Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

Note 1 – Description of the Library and Reporting Entity

The Chillicothe & Ross County Public Library was organized under the laws of the State of Ohio. The Library has its own Board of Trustees made up of seven members, four who are appointed by the Ross County Commissioners and three whom are appointed by the Ross County Common Pleas Judge. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.41 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being that of the Fiscal Officer. The Board of Library Trustees appoints a Director, Fiscal Officer and Deputy Fiscal Officer.

The Library is fiscally independent although the Ross County Commissioners serve as the taxing authority for the Library. The determination to request approval of a tax levy or bond issue and the role and purpose(s) of them, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Ross County Commissioners must put the tax levy or bond issue on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Ross County Commissioners. Under the provisions of Governmental Accounting Standards Board Statement No. 61, "The Financial Reporting Entity: Omnibus", the Library is considered a related organization to Ross County.

Component Unit

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 has no component units.

Related Organizations

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

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the Library's accounting policies.

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

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 statement of net position and the statement of activities display information about the Library as a whole. These distinguish between those activities of the Library that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The library has no business-type activities.

The statement of net position presents the cash and investment balances of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or activity is self-financing on a modified cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

General Fund - The general fund accounts and reports 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 the Building Fund and grants and other resources whose use is restricted to a particular purpose.

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

Basis of Accounting

The Library's financial statements are prepared using the modified 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 modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and the 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.

Budgetary Process

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

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

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

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."

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2016 investments were limited to money market funds, STAR Ohio, STAR Plus, nonnegotiable certificates of deposit and shares of common stock that were left to the Library as a restricted donation.

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

Except for the money market funds, STAR Ohio and STAR Plus these investments are recorded at cost.

The Library's money market fund investment is recorded at amounts reported by Huntington National Bank as of December 31, 2016.

STAR Ohio and STAR Plus are investment pools managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio and STAR Plus are valued at their share price, which is the price the investment could be sold for on December 31, 2016.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General fund during 2016 amounted to \$12,855.

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. Restricted assets represent \$1,772,142.

\$1,751,424	Capital Improvements – Building Fund
10,659	Literacy Materials – D.T. Culp Fund
<u>10,059</u>	Books – A.R. Schlegel Fund
\$1,772,142	

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.

Capital Assets

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

Interfund Receivables/Payables

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Accumulated Leave

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

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 10 and 11 the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Library's modified 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

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

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.

At the end of 2016, \$218 of the library's cash balance was restricted as follows:

\$ 159 Doris T. Culp Fund – Literacy Materials
\$ 59 Anne R. Schlegel Fund – Books

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.

Fund Balances

Fund balances are 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. State Statute authorizes the Library Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

unassigned classification is used only to report a deficit balance.

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

Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the modified cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (modified cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an inter-fund receivable or payable (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$132,647 for the general fund.

Note 4 – Deposits and Investments

State statute classifies monies held by the Library 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;

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the fiscal officer or, if the securities are not represented by a certificate, upon receipt of confirmation or transfer from the custodian.

At year end, the Library had \$520.00 in (petty cash and drawer change) undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

Investments

The Library reports their investments at cost or net asset value per share. The fair value of these investments is not materially different from cost.

As of December 31, 2016, the Library had the following deposits & investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Checking	\$ 5,052	N/A
STAR OH	1,157,670	N/A
STAR Plus	1,008,297	
Culp Fund Common Stock (Penn. Power & Light Co. , Fair Mkt. Value 12/31/16 - \$54,580, 1600 shares @ \$34.05 & Talen Energy , Fair Mkt. Value 12/31/16 - \$2,786, 199 shares @ \$14.00)	10,500	N/A
Schlegel Fund CD (LCNB National Bank)	10,000	1/18/2017
Money Market (Huntington National Bank)	205,740	N/A
Certificate of Deposit (Wesbanco Bank)	<u>400,000</u>	2/13/2017
Total Deposits & Investments	\$2,797,259	

STAR Ohio carries a rating of AAAM by Standard and Poor's. The money market funds at Huntington National Bank and LCNB National Bank are depository accounts that are collateralized. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Note 5 – Grants-In-Aid and Tax Receipts

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January – June of the subsequent year.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016 on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35% of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31st; if paid semi-annually, the first payment is due December 31, with the remainder payable by June

Chillicothe & Ross County Public Library

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2016*

20th. 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% of true value. 2015 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2016 and are collected in 2016 with real property taxes.

Note 6 - Interfund Balances and Transfers

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.

The Library transferred \$650,000 to the Building Fund from the General Fund in 2016.

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 2016, the Library contracted with Cincinnati Insurance Company (Weisenberger Insurance Service) and The Ohio Plan (Rinehart, Walters & Danner) for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
The Ohio Plan	Blanket Building & Commercial Property	\$7,181,315
The Ohio Plan	General Liability	\$4,000,000
The Ohio Plan	Vehicle	\$2,000,000
The Ohio Plan	Inland Marine	\$370,877
The Ohio Plan	Library Officials	\$4,000,000
Cincinnati Insurance Company	Fiscal Officer/Deputy Bonds	\$25,000/ea.
The Ohio Plan	Blanket Empl. Bond	\$5,000

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

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

Note 8 - Defined Benefit Pension Plan

GASB Statement No. 27

The Library participates in the Ohio Public Employees Retirement System (OPERS) which has authority to establish and amend benefits as provided in Chapter 145 of the Ohio Revised Code.

- A. OPERS administers three separate pension plans.
 - 1. The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan.

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
 3. The Combined Plan – 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.
- B. 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.
 - C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
 - D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, or by writing to OPERS, 277 E. Town Street, Columbus, OH 43125-4642, or by calling 614-222-5601 or 800-222-7377.
 - E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2016, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.
 - F. The 2016 member contribution rates were 10% of earnable salary for members in state and local classifications.
 - G. The 2016 employer contribution rate for state and local employers was 14% of earnable salary.
 - H. Total required employer contributions for calendar year 2016 amounted to \$207,605.09.
 - I. In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaced GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014.

GASB Statement No. 45

A. 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 two cost-sharing multiple employer defined benefit post-employment healthcare trusts, which fund 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. Member of the

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Plan and Combined plans must have 20 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 Benefits (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR> or by writing to OPERS, 277 E. Town Street, Columbus, OH 43125-4642, or by calling 614-222-5601 or 800-222-7377.

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement 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 earnable salary of active members. In 2016, state and local employers contributed at a rate of 14% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

C. Employer Contributions to Fund Post-Employment Health Benefits

The total employer contribution rates stated in Section B above, are the statutorily required contribution rates for OPERS. Approximate employer contributions made to fund OPERS post-employment health benefits in calendar year 2016 were in the amount of \$29,646.01.

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

D. OPERS Board of Trustees Adopt Changes to Health Care Plan

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

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.

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.

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 E. Town Street, Columbus, OH 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 administered 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 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.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care 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.

Chillicothe & Ross County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

Note 10 – 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 and all other governmental funds are presented below:

Fund Balances	General Fund	Capital Projects Fund	Non-major Govt. Funds	Total
Non-spendable			\$20,500	\$20,500
Culp Fund \$10,500				
Schlegel Fund \$10,000				
Restricted	\$0	\$0	\$218	\$218
Culp Fund Materials \$159				
Schlegel Fund Materials \$59				
Committed	\$58,112	\$0	\$0	\$58,112
General Fund				
*Cooper's Glass – Main doors \$25,109				
*Lusk Constr.-Anx. Kitchenette \$5,933				
*M&M Fabr.-Anx. Sidewalk \$24,570				
*Murray Consult.-Dir. Search \$2,500				
Assigned	\$74,536	\$1,751,424	0	\$1,825,960
General Fund – General Expenditures				
Building Fund – Capital Projects				
Unassigned	\$892,469	N/A	N/A	\$892,469
Total Fund Cash Balances 12/31/2016	\$1,025,117	\$1,751,424	\$20,718	\$2,797,259

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Chillicothe and Ross County Public Library
Ross County
140 S. Paint Street
P.O. Box 185
Chillicothe, Ohio 45601

To the Board:

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 modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chillicothe and Ross County Public Library, Ross County, (the Library) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated April 30, 2018, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

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 report 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 initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

April 30, 2018



Dave Yost • Auditor of State

CHILLICOTHE AND ROSS COUNTY PUBLIC LIBRARY

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 17, 2018