



Mary Taylor, CPA  
Auditor of State



CLERMONT COUNTY PUBLIC LIBRARY  
CLERMONT COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clermont County Public Library, Clermont County, Ohio (the Library), as of and for the year ended December 31, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clermont County Public Library, Clermont County, Ohio, as of December 31, 2006, and the respective changes in modified cash financial position and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2006, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2008 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 4, 2008

**CLERMONT COUNTY PUBLIC LIBRARY**  
**CLERMONT COUNTY, OHIO**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2006*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$5,414,848
Cash in Segregated Accounts	<u>475,969</u>
<i>Total Assets</i>	<u><u>\$5,890,817</u></u>
<b>Net Assets</b>	
Restricted for:	
Debt Service	475,969
Unrestricted	<u>5,414,848</u>
<i>Total Net Assets</i>	<u><u>\$5,890,817</u></u>

**CLERMONT COUNTY PUBLIC LIBRARY**  
**CLERMONT COUNTY, OHIO**  
Statement of Activities - Cash Basis  
For the Year Ended December 31, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Library Services:				
Public Service and Programs	3,299,668	379,885	25,772	(\$2,894,011)
Collection Development and Processing	1,588,264			(1,588,264)
Support Services:				
Facilities Operation and Maintenance	1,309,620			(1,309,620)
Information Services	870,544			(870,544)
Business Administration	543,422			(543,422)
Capital Outlay	30,526			(30,526)
Debt Service:				
Principal Retirement	197,000			(197,000)
Interest and Fiscal Charges	167,423			(167,423)
<i>Total Governmental Activities</i>	<u>\$8,006,467</u>	<u>\$379,885</u>	<u>\$25,772</u>	<u>(7,600,810)</u>
		<b>General Receipts</b>		
				1,373,344
				17,458
				5,990,898
				257,753
				41,865
				<u>7,681,318</u>
				206,850
				<u>7,888,168</u>
				287,358
				<u>5,603,459</u>
				<u>\$5,890,817</u>



**CLERMONT COUNTY PUBLIC LIBRARY**  
**CLERMONT COUNTY, OHIO**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2006*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash	\$5,414,848	\$0	\$5,414,848
Cash in Segregated Accounts		475,969	475,969
<i>Total Assets</i>	<u>\$5,414,848</u>	<u>\$475,969</u>	<u>\$5,890,817</u>
<b>Fund Balances</b>			
Unreserved:			
Undesignated, Reported in:			
General Fund	5,757,312		5,757,312
Special Revenue Funds		43,189	43,189
Debt Service Fund		4	4
Capital Projects Funds		90,312	90,312
<i>Total Fund Balances</i>	<u>\$5,757,312</u>	<u>\$133,505</u>	<u>\$5,890,817</u>

**CLERMONT COUNTY PUBLIC LIBRARY**  
**CLERMONT COUNTY, OHIO**

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

*Governmental Funds*

*For the Year Ended December 31, 2006*

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property and Other Local Taxes	\$1,373,344		\$1,373,344
Intergovernmental	5,990,898	25,772	6,016,670
Patron Fines and Fees	379,885		379,885
Contributions, Gifts and Donations	17,458		17,458
Earnings on Investments	257,753		257,753
Miscellaneous	46,500		46,500
<i>Total Receipts</i>	<u>8,065,838</u>	<u>25,772</u>	<u>8,091,610</u>
<b>Disbursements</b>			
Current:			
Library Services:			
Public Service and Programs	3,247,191	52,477	3,299,668
Collection Development and Processing	1,576,443	11,821	1,588,264
Support Services:			
Facilities Operation and Maintenance	1,309,620		1,309,620
Information Services	862,707	7,837	870,544
Business Administration	539,647	3,775	543,422
Capital Outlay		30,526	30,526
Debt Service:			
Principal Retirement		197,000	197,000
Interest and Fiscal Charges	160	167,263	167,423
<i>Total Disbursements</i>	<u>7,535,768</u>	<u>470,699</u>	<u>8,006,467</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>530,070</u>	<u>(444,927)</u>	<u>85,143</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In		594,115	594,115
Transfers Out	(401,766)	(192,349)	(594,115)
Advances In		6,155	6,155
Advances Out	(6,155)		(6,155)
Other Financing Uses	(4,635)		(4,635)
<i>Total Other Financing Sources (Uses)</i>	<u>(412,556)</u>	<u>407,921</u>	<u>(4,635)</u>
<b>Special and Extraordinary Items</b>			
Special Item - Proceeds from Sale of Land	206,850		206,850
<i>Net Change in Fund Balances</i>	324,364	(37,006)	287,358
<i>Fund Balances Beginning of Year</i>	<u>5,432,948</u>	<u>170,511</u>	<u>5,603,459</u>
<i>Fund Balances End of Year</i>	<u>\$5,757,312</u>	<u>\$133,505</u>	<u>\$5,890,817</u>

**CLERMONT COUNTY PUBLIC LIBRARY  
CLERMONT COUNTY, OHIO**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund*

*For the Year Ended December 31, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$1,062,060	\$1,308,000	\$1,373,344	\$65,344
Intergovernmental	5,990,898	5,990,898	5,990,898	0
Patron Fines and Fees	442,479	652,457	379,885	(272,572)
Contributions, Gifts and Donations	112,571	0	17,458	17,458
Earnings on Investments	130,000	130,000	257,753	127,753
Miscellaneous	0	0	46,500	46,500
<i>Total receipts</i>	<u>7,738,008</u>	<u>8,081,355</u>	<u>8,065,838</u>	<u>(15,517)</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Service and Programs	3,203,024	3,292,567	3,247,191	45,376
Collection Development and Processing	1,556,003	1,707,685	1,576,443	131,242
Support Services:				
Facilities Operation and Maintenance	1,377,847	1,491,503	1,309,620	181,883
Information Services	775,683	908,151	862,706	45,445
Business Administration	496,660	568,558	539,648	28,910
Debt Service:				
Interest	400	400	69	331
Financing Fees and Costs	0	91	91	0
<i>Total Disbursements</i>	<u>7,409,617</u>	<u>7,968,955</u>	<u>7,535,768</u>	<u>433,187</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>328,391</u>	<u>112,400</u>	<u>530,070</u>	<u>417,670</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(400,264)	(401,766)	(401,766)	(0)
Advances Out	0	0	(6,155)	(6,155)
Other Financing Uses	0	(125,447)	(4,635)	120,812
<i>Total Other Financing Sources (Uses)</i>	<u>(400,264)</u>	<u>(527,213)</u>	<u>(412,556)</u>	<u>114,657</u>
<b>Special and Extraordinary Items</b>				
Special Item - Proceeds from Sale of Land	0	0	206,850	206,850
<i>Net Change in Fund Balance</i>	<u>(71,873)</u>	<u>(414,813)</u>	<u>324,364</u>	<u>739,177</u>
<i>Fund Balance Beginning of Year</i>	<u>5,432,948</u>	<u>5,432,948</u>	<u>5,432,948</u>	
Prior Year Encumbrances Appropriated	0	0	0	
<i>Fund Balance End of Year</i>	<u>\$5,361,075</u>	<u>\$5,018,135</u>	<u>\$5,757,312</u>	

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**Clermont County Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**Note 1 – Description of the Library and Reporting Entity**

The Clermont County Public Library was organized as a free public library in 1955 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Clermont County Commissioners and the Judges of the Court of Common Pleas. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

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

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

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Friends of the Clermont County Public Library, Inc. 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 of the organization. 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 Clermont County Public Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

**Clermont County Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

The statement of net assets presents the cash balances and debt 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 activity is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

**Clermont County Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**C. Basis of Accounting**

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

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

**D. Budgetary Process**

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

**E. Cash and Cash Equivalents**

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

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

During 2006, investments were limited to a money market fund and STAR Ohio. The money market fund and STAR Ohio investments are recorded at cost.

The Library's money market fund investment is recorded at amounts reported by US Bank on December 31, 2006.

**Clermont County Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**Note 2 – Summary of Significant Accounting Policies** (continued)

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest received credited to the general fund during 2006 amounted to \$257,753.

**F. Accumulated Leave**

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

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

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**H. Long-Term Obligations**

The Library's cash basis financial statements 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.

**I. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for debt repayment.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**J. Fund Balance Reserves**

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

**K. Interfund Transactions**

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



**Clermont County Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

In 2006, the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**Note 4 – Budgetary Basis of Accounting**

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

The encumbrances outstanding at year end (budgetary basis) amounted to \$551 for the General Fund.

**Note 5 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

**Clermont County Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**Note 5 – Deposits and Investments** (continued)

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).

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.

As of December 31, 2006, the Library had the following investments:

	<u>Carrying Value</u>
US Treasury Fund (Mutual Fund)	\$ 475,969
STAR Ohio	3,386,932
Total Investments	<u>\$ 3,862,901</u>

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

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee." Of the Library's total investments, 87% are STAR Ohio and 12% are US Treasury Fund (Mutual Fund).

**Note 6 - Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in Clermont County. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually.

**Clermont County Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**Note 6 - Property Taxes** (continued)

If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Library operations for the year ended December 31, 2006, was \$.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$ 2,882,566,420
Agricultural	91,059,190
Commercial/Industrial/Mineral	681,655,450
Tangible Personal Property	
Business	284,682,834
Public Utility	282,494,470
Total Assessed Value	<u>\$ 4,222,458,364</u>

**Note 7 - Risk Management**

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**Clermont County Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**Note 8 - Defined Benefit Pension Plan**

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2006 was \$809,775 and the full amount has been contributed for 2006. Contributions to the member-directed plan for 2006 were \$487,391 made by the Library and \$319,134 made by the plan members.

**Note 9 - Postemployment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

**Clermont County Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**Note 9 - Postemployment Benefits** (continued)

The number of active contributing participants in the traditional and combined plans was 381,464. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$72 million. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$78.4 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Note 10 – Debt**

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Library Fund Facilities Notes	\$2,887,061	5.98%

The Library Fund Library Facilities Notes are to retire old debt and to finance the construction of the Owensville Library Branch and to improve the facilities at the facilities at the other Library Branches. The loans will be repaid in monthly installments, including interest, over 20 years collateralized solely by the Library's taxing authority. The Library Notes are a combination of previous 1996A and 1996B notes, which were combined to account for the Library's Notes per section 133.70 of the Ohio Revised Code.

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

	Library Fund Facilities Notes
Year ending December 31:	
2007	364,448
2008	363,329
2009	361,807
2010	361,489
2011	361,348
2012 – 2016	1,756,030
Total	\$3,568,451

**Note 11 – Interfund Transfers**

During the year ended December 31, 2006, the General Fund made transfers of \$401,766 to Other Governmental funds. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clermont County Public Library, Clermont County, Ohio (the Library), as of and for the year ended December 31, 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated April 4, 2008, wherein, we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain internal control matters that we reported to the Library's management in a separate letter dated April 4, 2008.

### **Compliance and Other Matters**

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

We intend this report solely for the information and use of management and the Library Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 4, 2008



**CLERMONT COUNTY PUBLIC LIBRARY  
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Maintaining accurate accounting ledgers	Yes	
2005-002	Appropriation measure adopted	Yes	
2005-003	Improper transfers	Yes	
2005-004	Bank reconciliations/negative fund balance	No	Bank reconciliation portion corrected; negative fund balance carried forward from 2005 audit to management letter.





**Mary Taylor, CPA**  
Auditor of State

**CLERMONT COUNTY PUBLIC LIBRARY**

**CLERMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 1, 2008**